Taxation Determination

Income tax: what is the car limit under section 40-230 of the *Income Tax Assessment Act 1997* for the 2014-15 financial year?

This publication provides you with the following level of protection:

This publication (excluding appendixes) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

Ruling

1. The car limit under section 40-230 of the *Income Tax Assessment Act 1997* (ITAA 1997) for the 2014-15 financial year is $57,466.

Example

2. In July 2014, Laura buys a car to which the car limit applies for $60,000 to use in carrying on her business. As Laura started to hold the car in the 2014-15 financial year, in working out the car's decline in value for the 2014-15 income year, the first element of cost of the car is reduced to $57,466.

Date of effect

3. The Determination applies for the financial year commencing on 1 July 2014.

Commissioner of Taxation
25 June 2014

Appendix 1 – Explanation

This Appendix is provided as information to help you understand how the Commissioner's view has been reached. It does not form part of the binding public ruling.

Explanation

4. The car limit under section 40-230 of the ITAA 1997 is used, amongst other things, in section 40-230 for the purposes of working out the first element of cost of certain cars to which the car limit applies. If the first element of cost of a car to which the car limit applies exceeds the car limit, the first element of cost of that car is reduced to the car limit. The relevant car limit is the one that applies for the financial year in which the taxpayer starts to hold the car.

5. Subsection 40-230(3) of the ITAA 1997 states that the car limit is indexed annually.

6. Under Subdivision 960-M of the ITAA 1997, the car limit is indexed annually in line with movements in the motor vehicle purchase sub-group of the Consumer Price Index. Subsection 960-270(1) of the ITAA 1997 states that you index an amount by multiplying it by its indexation factor.

7. Subsection 960-275(1) of the ITAA 1997 states that the indexation factor for indexation amounts on an annual basis is calculated by dividing the sum of the index numbers for the quarters in the year ending on 31 March just before the start of the relevant financial year by the sum of the index numbers for the quarters in the year ending on the previous 31 March. The sum of the index numbers for the quarters in the year ending on 31 March 2014 was 384.6 and the sum of the index numbers for the quarters in the year ending on 31 March 2013 was 395.1 resulting in an indexation factor of 0.973 (rounded to three decimal places). Subsection 960-270(2) of the ITAA 1997 states that, where the indexation factor is 1 or less, you do not index the amount, resulting in the car limit not being indexed.

8. As a result, the car limit under section 40-230 of the ITAA 1997 for the 2014-15 financial year remains at $57,466 which was the car limit under section 40-230 for the 2013-14 financial year.

References

Previous draft:

Not previously issued as a draft

Related Rulings/Determinations:

TR 2006/10; TD 2013/15

Subject references:

- car limit
- decline in value
- motor vehicle depreciation
- motor vehicle depreciation limits

Legislative references:

- ITAA 1997 40-230
- ITAA 1997 40-230(3)
- ITAA 1997 Subdiv 960-M
- ITAA 1997 960-270(1)
- ITAA 1997 960-270(2)
- ITAA 1997 960-275(1)
- TAA 1953

ATO references

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