



Taxation Determination

Income tax: what is the car limit under section 40-230 of the *Income Tax Assessment Act 1997* for the 2017-18 financial year?

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Ruling

1. The car limit under section 40-230 of the *Income Tax Assessment Act 1997*¹ for the 2017-18 financial year is \$57,581.

Example

2. *In July 2017, Laura buys a car for \$60,000 to use in carrying on her business. The car is of a type to which the car limit applies. As Laura started to hold the car in the 2017-18 financial year, in working out the car's decline in value for the 2017-18 income year, the first element of cost of the car is reduced to \$57,581.*

Date of effect

3. This Determination applies for the financial year commencing on 1 July 2017.

Commissioner of Taxation

28 June 2017

¹ All legislative references in this Determination are to the ITAA 1997, unless otherwise specified.

Appendix 1 – Explanation

❶ *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.*

4. 'Car limit' has the meaning given by section 40-230. It is used for the purposes of applying various provisions, including working out the first element of cost of certain cars when calculating their decline in value.²

5. The car limit is indexed annually in line with movements in the motor vehicle purchase sub-group of the Consumer Price Index³, unless the indexation factor is 1 or less.⁴ An amount is indexed by multiplying it by its indexation factor.⁵

6. The indexation factor for amounts that are indexed on an annual basis is calculated as:

$$\frac{\text{the sum of the index numbers for the quarters in the year ending on 31 March just before the start of the relevant financial year}}{\text{the sum of the index numbers for the quarters in the year ending on the previous 31 March}^6}$$

7. The sum of the index numbers for the quarters in the year ending on:

- 31 March 2017 was 376.7, and
- 31 March 2016 was 382.7,

resulting in an indexation factor of 0.984 (rounded to 3 decimal places⁷).

8. As the indexation factor is less than 1, there is no indexation of the car limit.

9. The car limit for the 2017-18 financial year therefore remains at \$57,581.

² Subsection 40-230(1).

³ See subsection 40-230(3). This limit is indexed annually in accordance with the CPI indexation method provided by Subdivision 960-M.

⁴ Subsection 960-270(2).

⁵ Subsection 960-270(1).

⁶ Subsection 960-275(1).

⁷ Subsection 960-275(5).

References

Previous draft:

Not previously issued as a draft

Related Rulings/Determinations:

TR 2006/10

Previous Rulings/Determinations:

TD 2013/15; TD 2014/17; TD 2015/16;
TD 2016/8

Legislative references:

- ITAA 1997
- ITAA 1997 40-230
- ITAA 1997 40-230(1)
- 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)
- ITAA 1997 960-275(5)
- TAA 1953

ATO references

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