


TD 93/D185 - Fringe benefits tax: for the purpose of the statutory formula method of valuing car fringe benefits, when is the base value of a car reduced under subsection 9(2) of the Fringe Benefits Tax Assessment Act 1986?

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This document has been finalised by TD 94/28.

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Draft Taxation Determination

Fringe benefits tax: for the purpose of the statutory formula method of valuing car fringe benefits, when is the base value of a car reduced under subsection 9(2) of the *Fringe Benefits Tax Assessment Act 1986*?

1. There is a once only reduction of one third of the base value of a car after it has been held for four years. Where the car is owned the base value is the "cost price" and where the car is leased, the base value is the "leased car value". The base value may be subsequently increased by the value of each non-business accessory fitted after the car was first owned or leased.
2. Definitions of "cost price" and "leased car value" are contained in subsection 136(1).
3. The reduction is made from April 1 following the fourth anniversary of the date on which the car was first owned or leased.
4. The reduction does not apply to non-business accessories added after the car was acquired.

Example

A car was bought for \$30,000 on 5/11/88. On 10/1/89 a car alarm costing \$1,500 was installed. The fourth anniversary of the purchase of the car is 5/11/92. The base value reduction is applied from 1/4/93. The reduced base value to be used for the 1994 FBT and future years is \$21,500 i.e. $\$30,000 \times \frac{2}{3} + \$1,500$. The car alarm is a non-business accessory added after acquisition and is not subject to the reduction.

Commissioner of Taxation
29/7/93

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