


TD 93/D20 - Fringe benefits tax: where a car has been leased and subsequently purchased by the employer, what is the depreciated value of the car for the purpose of sections 10, 11 and 12 of the Fringe Benefits Tax Assessment Act 1986 in the year in which the car was purchased?

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Draft Taxation Determination

Fringe benefits tax: where a car has been leased and subsequently purchased by the employer, what is the depreciated value of the car for the purpose of sections 10, 11 and 12 of the *Fringe Benefits Tax Assessment Act 1986* in the year in which the car was purchased?

1. The depreciated value is the "cost price" of the car to the employer. The term "cost price" is defined as expenditure incurred by the owner that is directly attributable to the acquisition or delivery of the car (other than registration-related expenditure (sub-subparagraph 136(1)(a)(ii)(A) of the *Fringe Benefits Tax Assessment Act 1986*). If the car is purchased for the residual value specified in the lease agreement, and the residual value is equal to the market value, that amount is the depreciated value.

2. If the car is purchased for the residual value, and the residual value is below the market price, subsection 13(2) applies to deem the depreciated value to be equal to the market value.

Example :

1. *An employer leased a car (cost to the leasing company \$20,000) on 1 July 1988 for a period of three years with a residual value of \$8,000. On 1 July 1991, the employer purchased the car for \$8,000 which was equal to the market value. The depreciated value of the car is \$8,000 in the 1992 FBT year.*

2. *An employer leased a car (cost to the leasing company \$20,000) on 1 July 1988 for a period of three years with a residual value of \$3,000. On 1 July 1991, the employer purchased the car for \$3,000 and the market value was \$8,000. The cost price of the car is deemed to be \$8,000 in the 1992 FBT year.*

Commissioner of Taxation

04/02/93

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