


***TD 93/D45 - Income tax: substantiation: car expenses: can the "12% of cost method" under subsection 82KW(3) be used if a car has been obtained by inheritance, gift or prize at no actual cost?***

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This document has been finalised by TD 93/56.

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

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## Draft Taxation Determination

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**Income tax: substantiation: car expenses: can the "12% of cost method" under subsection 82KW(3) be used if a car has been obtained by inheritance, gift or prize at no actual cost?**

1. Yes. Subsection 82KW(3) provides that if the provisions of subsection 82KW(1) are satisfied, a taxpayer is entitled to a deduction of an amount equal to 12% of the cost of the car to the taxpayer. But in the case of a car obtained by inheritance, gift or prize there is *no* actual cost to the taxpayer.
2. As explained in IT 2308, official practice for **depreciation purposes** is that where property is acquired by inheritance, gift or prize, depreciation is calculated on the depreciated value or notional depreciated value of the property immediately prior to the date of acquisition.
3. This same principle will apply for subsection 82KW(3) purposes to a car obtained by inheritance, gift or prize. That is, the cost to a taxpayer for the "12% of cost method" will also be based on the depreciated value or notional depreciated value of the car immediately prior to the date of acquisition.

**Commissioner of Taxation**  
18/2/93

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FOI INDEX DETAIL: Reference No.

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Subject Ref: car substantiation rules: deductions: substantiation: 12% of cost method

Legislative Ref: ITAA 82KW

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