



TD 2004/27 - Income tax: what is the car limit to be used for the 2004-2005 financial year?

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 This document has changed over time. This is a consolidated version of the ruling which was published on *30 June 2004*



Taxation Determination

Income tax: what is the car limit to be used for the 2004-2005 financial year?

Preamble

*The number, subject heading, date of effect and paragraphs 1 to paragraphs 3 of this document are a 'public ruling' for the purposes of Part IVAAA of the **Taxation Administration Act 1953** and are legally binding on the Commissioner.*

1. The car limit for the 2004-2005 financial year is \$57,009. This limit is indexed annually in line with movements in the motor vehicle purchase sub-group of the Consumer Price Index.
2. For the 2002-2003 year this index was 424.9 and for the 2003-2004 year the index was 415.4 resulting in an indexation factor of 0.978, that is, less than 1. The law requires that where the indexation factor is less than 1, the car limit is not to be indexed.¹ As a result, the car limit remains the same as that which applied in the 2003-2004 financial year.
3. The car limit of \$57,009 is used to calculate depreciation deductions under the income tax law.²

Example

4. *On 2 July 2004 a business purchases a motor vehicle for \$65,009 wholly for use in the carrying on of its business.*
5. *In determining the depreciation that may be claimed for the 2004-2005 financial year the business is restricted to calculating the depreciation on a cost price of \$57,009.*

Date of Effect

6. This Determination applies to the financial year commencing on 1 July 2004.

¹ Subsection 960-270(2) of the *Income Tax Assessment Act 1997* (ITAA 1997).

² Subsection 40-230(3) of the ITAA 1997. The 'car limit' is also used to set the luxury car tax threshold and is used to determine if luxury car tax is payable – see Luxury Car Tax Determination LCTD 2004/1.

TD 2004/27

Commissioner of Taxation

30 June 2004

Previous draft.

Not previously released in draft form.

Previous Rulings/Determinations:

TD 2003/18

Related Rulings/Determinations:

TR 92/1; TR 97/16; LCTD 2004/1

Subject references:

- Car limit
- Depreciation

Legislative references:

- TAA 1953 Part IVAAA
- ITAA 1997 40-230(3)
- ITAA 1997 960-270(2)

ATO references:

NO: 2004/6083

ISSN: 1038-8982