TD 2009/13 - Income tax: what is the car limit for the 2009-10 financial year?

Taxation Determination

Income tax: what is the car limit for the 2009-10 financial year?

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If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

Ruling

1. The car limit for the 2009-10 financial year is **$57,180**.

Example

2. *In July 2009 a taxpayer purchases a motor vehicle for $60,000 wholly for use in carrying on their business. In working out the vehicle's decline in value they may deduct for the 2009-10 income year, the first element of cost of the vehicle is reduced to $57,180.*

Date of effect

3. This Determination applies for the financial year commencing on 1 July 2009.

Commissioner of Taxation
24 June 2009

Appendix 1 – Explanation

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.

Explanation

4. The car limit is used to work out decline in value deductions of certain cars under the income tax law.[1]

5. The car limit is indexed annually in line with movements in the motor vehicle purchase sub-group of the Consumer Price Index.

6. For the 2007-08 financial year the index was 396.7 and for the 2008-09 financial year the index was 388.1, 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.[2] As a result, the car limit for the 2009-10 financial year remains at $57,180 which applied for the 2008-09 financial year.

[1] Section 40-230 of the *Income Tax Assessment Act 1997* (ITAA 1997). The 'car limit' is also used to set the luxury car threshold and is used to determine if luxury car tax is payable – see Luxury Car Tax Determination LCTD 2009/1

[2] Subsection 960-270(2) of the ITAA 1997.

References

Previous draft:

Not previously issued as a draft

Related Rulings/Determinations:

LCTD 2009/1

Previous Rulings/Determinations:

TD 2003/18; TD 2004/27; TD 2005/30;
TD 2006/44; TD 2007/22; TD 2008/17

Subject references:

- car limit
- decline in value
- luxury car depreciation limit
- motor vehicle depreciation
- motor vehicle depreciation limit

Legislative references:

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

ATO references
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