



TD 93/56 - 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 changed over time. This is a consolidated version of the ruling which was published on *1 April 1993*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

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 Taxation Ruling 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 a notional cost equal to the depreciated value or *notional depreciated value* of the car immediately prior to the date of acquisition.
4. The concept of *notional depreciated value* is explained in paragraph 4 of IT 2308.

Commissioner of Taxation
1/4/93

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