



***TD 96/34 - Fringe benefits tax: where an employer purchases a car free of sales tax, or leases a car which has been purchased by the lessor free of sales tax, how is the sales tax amount determined for the purposes of the statutory formula method of calculating car fringe benefits?***

 This cover sheet is provided for information only. It does not form part of *TD 96/34 - Fringe benefits tax: where an employer purchases a car free of sales tax, or leases a car which has been purchased by the lessor free of sales tax, how is the sales tax amount determined for the purposes of the statutory formula method of calculating car fringe benefits?*

 This document has changed over time. This is a consolidated version of the ruling which was published on *31 July 1996*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA 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

---

**Fringe benefits tax: where an employer purchases a car free of sales tax, or leases a car which has been purchased by the lessor free of sales tax, how is the sales tax amount determined for the purposes of the statutory formula method of calculating car fringe benefits?**

1. Under the statutory formula method of calculating car fringe benefits in section 9 of the *Fringe Benefits Tax Assessment Act 1986*, the base value of the car is the amount which the employer or the lessor could reasonably have expected to pay if the car had not been purchased free of sales tax. The base value will be the amount actually paid plus the notional amount of sales tax which would otherwise have been payable.
2. This Office will accept various methods to arrive at a figure for the notional sales tax, including:
  - where the amount of sales tax which would otherwise have been payable is disclosed in the purchase documentation, that amount;
  - the amount calculated by multiplying the **tax-inclusive** Recommended Retail Price (RRP) of the car by the applicable percentages (truncated) set out in the table below;
  - where the RRP for the car is less than the sales tax luxury car limit (STLCL), the amount calculated by multiplying the actual cost of the car by the sales tax rate applicable to non-luxury cars as set out in the last column of the table below.

CAR PURCHASE DATE	STLCL FOR PERIOD	IF RRP IS LESS THAN THE STLCL	IF RRP IS NOT LESS THAN THE STLCL	SALES TAX RATE FOR NON-LUXURY CARS
before 1/7/1993	\$45,693	10% of RRP	19% of RRP	15%
before 18/8/1993	\$46,790	10% of RRP	19% of RRP	15%
before 1/7/1994	\$47,116	11% of RRP	\$5,200 plus 25% of excess above STLCL	16%
before 10/5/1995	\$49,896	11% of RRP	\$5,500 plus 25% of excess	16%
before 1/7/1995	\$51,615	14% of RRP	\$7,200 plus 25% of excess	21%
before 1/7/1996	\$53,622	14% of RRP	\$7,800 plus 25% of excess	22%
before 1/7/1997	\$55,721	14% of RRP	\$8,100 plus 25% of excess	22%

3. The sales tax luxury car limit referred to above is the Recommended Retail Price above which the vehicle is taxed at the luxury car rate specified in the sales tax legislation. It is not the same as the motor vehicle depreciation limit used for income tax purposes.

4. This Determination replaces Taxation Determination TD 95/51, which is withdrawn.

#### *Example*

*An employer purchases a car for business purposes on 1 September 1996 for \$20,000, claiming a sales tax exemption on the purchase. The tax-inclusive Recommended Retail Price of the car is \$26,400. The notional sales tax amount is 14% of \$26,400, i.e., \$3,696. The base value of the car (assuming there were no non-business accessories fitted) will be \$23,696.*

#### **Commissioner of Taxation**

31 July 1996

FOI INDEX DETAIL: Reference No. I 1015156

Not previously released in draft form

Related Determinations: TD 95/51

Related Rulings:

Subject Ref: car fringe benefits; fringe benefits; sales tax exemptions; statutory formula method of valuation

Legislative Ref: FBTA 9

Case Ref:

ATO Ref: FBT Cell 30/82A; NAT 96/2568-2