TR 93/29 - Income tax : motor vehicle dealers : valuation of stock on hand : motor vehicles traded in

This ruling contains references to repealed provisions, some of which may have been rewritten. The ruling still has effect. Paragraph 32 in TR 2006/10 provides further guidance on the status and binding effect of public rulings where the law has been repealed or repealed and rewritten. The legislative references at the end of the ruling indicate the repealed provisions and, where applicable, the rewritten provisions.

This document has changed over time. This is a consolidated version of the ruling which was published on *29 November 2006*

Taxation Ruling
Income tax : motor vehicle dealers : valuation of stock on hand : motor vehicles traded in

This Ruling, 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 Ruling is a public ruling and how it is binding on the Commissioner.*

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What this Ruling is about

1. This Ruling explains how motor vehicle dealers should apply subsection 31(1) of the *Income Tax Assessment Act 1936* to the valuation of motor vehicles traded in.

Ruling

2. Motor vehicle dealers often retain traded vehicles for the purposes of resale in the normal course of business. Where these vehicles remain on hand at the end of the year of income, subsection 31(1) allows a motor vehicle dealer the option of valuing each of the vehicles at its cost price, market selling value or the price at which it can be replaced.

Cost price

3. Cost price is the trade-in price shown on the contract plus any additional expenses incurred in bringing the vehicle into its existing condition and location at the end of the year of income.

Market selling value

4. Market selling value is the value at which a vehicle could be sold in the dealer's retail market at the end of the year of income.

Replacement price

5. Replacement price is the price which a motor vehicle dealer would pay in the dealer's buying market in order to acquire a substantially identical vehicle at the end of the year of income.

6. In determining this price, the dealer must either use:

(a) an independent valuation; or

(b) a recognised industry guide.

An independent valuation is one provided by a suitably qualified arms-length valuer.

7. Where the dealer wishes to use replacement price, the same method, either (a) or (b), must be used at the end of the year of income for all traded-in vehicles valued at replacement price.

Date of effect

8. This Ruling applies to years commencing both before and after its date of issue. However, the Ruling 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 Ruling (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Explanations

Cost price

9. An industry practice has been to value a traded-in vehicle at a notional cost price. This notional cost was the actual cost adjusted for any under or over allowance. This treatment is not consistent with subsection 31(1) and should not be used.

Replacement price

10. An independent valuation is considered to be the most accurate method of determining the replacement price of a traded motor vehicle on hand at the end of the year of income.

11. A recognised industry guide represents average values only and is less accurate for individual vehicles. An industry guide only provides an adequate valuation when applied to all such stock on hand.

12. To prevent the selective use of a recognised industry guide, it is the requirement of this Ruling that:

> **where** a recognised industry guide is used to determine the replacement price of a trade-in for the purposes of subsection 31(1),
>
> **then** this method must be used for all trade-ins valued at replacement price for that income year.

Commissioner of Taxation

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