


***TD 93/D260 (Withdrawn) - Income tax: can an estimated market value of a purchased motor vehicle be used to calculate depreciation expenses under section 54 or subsection 55(2)?***

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 This document has been Withdrawn.



Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

## Draft Taxation Determination

### **Income tax: can an estimated market value of a purchased motor vehicle be used to calculate depreciation expenses under section 54 or subsection 55(2)?**

1. No. An estimated market value of a motor vehicle cannot be used to calculate depreciation expenses.
2. Depreciation expense is to be calculated from the date of purchase using the actual purchase price. The cost limit for motor vehicles (section 57AF) will apply for the relevant year of purchase.
3. This would also apply to the situation where a motor vehicle is used privately then used for business at a later date.

#### *Example 1 :*

*A motor vehicle is purchased on 1/7/91 for \$20000 and used for business purposes from the date of purchase. The depreciation expense is calculated on \$20000 for the full year.*

#### *Example 2 :*

*If the same vehicle was used privately from date of purchase then used for business purposes from 1/7/92 the depreciation is calculated using the original purchase date and the original purchase price.*

*$20000 \times 22.5\% = 4500$  (notional depreciation for first year of ownership - not deductible)  
 $(20000 - 4500) \times 22.5\% = 3488$  (depreciation for first year of business use)*

#### *Example 3 :*

*Another vehicle is purchased on 1/7/91 for \$50000 and used privately from date of purchase, then used for business purposes from 1/7/92. The depreciation limit for the year of purchase is to apply.*

*Purchase price is \$50000. Depreciation limit for the 1992 year is \$45462.*

*$45462 \times 22.5\% = 10229$  (notional depreciation for first year of ownership - not deductible)  
 $(45462 - 10229) \times 22.5\% = 7927$  (depreciation for first year of business use)*

**Commissioner of Taxation**

7/10/93

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FOI INDEX DETAIL: Reference No.

Related Determinations:

Related Rulings: IT 2308

Subject Ref: motor vehicle; depreciation; market value

Legislative Ref: ITAA 54, 56(1B), 55(2), 57AF

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