TD 94/D72 - 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 been finalised by TD 94/74.

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

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 methods which arrives at an accurate 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 set out in the table below:

CAR PURCHASE DATE	SALES TAX LUXURY CAR LIMIT (STLCL) FOR PERIOD	IF RRP IS LESS THAN THE STLCL	IF RRP IS NOT LESS THAN THE STLCL
before 1/7/1993	\$45,693	10.4% of RRP	19% of RRP
before 18/8/1993	\$46,598	10.4% of RRP	19% of RRP
before 1/7/1994	\$47,116	11% of RRP	\$5,200 plus 25% of excess above STLCL
before 1/7/1995	\$49,896	11% of RRP	\$5,500 plus 25% of excess above STLCL

- where the RRP for the car is less than the sales tax luxury car limit, the amount calculated by multiplying the actual cost of the car by the sales tax rate applicable to non-luxury cars (15% up to 18 August 1993, 16% up to 1 July 1995).

3. The sales tax luxury car limit referred to in paragraph 2 is the 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. These rates apply to cars purchased during the period 1 April 1993 to 31 March 1995.

Examples

An employer purchases a business car on 1 September 1993 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 11% of $26,400, ie., $2,904. The base value of the car (assuming there were no non-business accessories fitted) will be $22,904.

Assume the same facts as above except that the employer is unable to ascertain the tax-inclusive Recommended Retail Price of the car. The employer may calculate the notional sales tax as 16% of the purchase price, ie., $3,200. In this case the base value will be $23,200.

Commissioner of Taxation
30/06/94

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