

# ***IT 2132 - Investment allowance - demonstration vehicles***

 This cover sheet is provided for information only. It does not form part of *IT 2132 - Investment allowance - demonstration vehicles*

This document has been Withdrawn.

There is a [Withdrawal notice](#) for this document.

TAXATION RULING NO. IT 2132

INVESTMENT ALLOWANCE - DEMONSTRATION VEHICLES

F.O.I. EMBARGO: May be released

REF H.O. REF: 83/4400-1 DATE OF EFFECT:

B.O. REF: DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO: SUBJECT REFS: LEGISLAT. REFS:

I 1122188 INVESTMENT ALLOWANCE 82AA  
82AH

OTHER RULINGS ON TOPIC IT's 68, 94, 95, 96

PREAMBLE From time to time enquiries are received in this office whether an investment allowance deduction is allowable in respect of expenditure incurred by a taxpayer on the acquisition of a motor vehicle which, prior to its acquisition by the taxpayer, had been used for demonstration purposes by the supplier. The question that is posed by the enquiries is whether a motor vehicle which has been used for demonstration purposes qualifies as "new" for the purposes of the investment allowance deduction.

RULING 2. Whether a unit of property used for demonstration purposes can be said to be new in the context of the investment allowance deduction provisions in the Income Tax Assessment Act will depend upon the circumstances of each case.

3. A limited amount of demonstration mileage is not regarded as affecting the newness of a particular vehicle for the purposes of the investment allowance deduction. If a prospective purchaser is granted the use of a new vehicle for a period up to a month and at the end of the period purchases the vehicle at the new price subject to new vehicle warranties, etc., the vehicle will be accepted as new for the purposes of the investment allowance deduction. On the other hand, a vehicle which is used for demonstration purposes over a significant period will not be regarded as new in the hands of the ultimate purchaser.

4. As a guide it may be accepted that a vehicle which would otherwise qualify as new will continue to be so regarded where it is used for ordinary demonstration purposes for less than three months. The term "ordinary" is used to guard against the situation where there may be excessive use of a vehicle for demonstration purposes in a three month period which would lead to the conclusion that the particular vehicle could not be regarded as new in the hands of the purchaser. Conversely a vehicle may qualify as new where it is used for demonstration purposes for more than three months but the

demonstration use is less than the ordinary demonstration use in the three month period.

5. Insofar as the suppliers or distributors are concerned motor vehicles used for demonstration purposes are normally available for sale and, for this reason, are regarded as retaining their character as trading stock. The question of investment allowance deduction does not arise. If, in a particular case, a claim is made by a supplier for investment allowance deduction in respect of expenditure on a demonstration vehicle and it emerges that the vehicle was available for sale, it would seem that section 82AH would operate to withdraw any investment allowance deduction.

6. The making available of a vehicle free of charge to a prospective customer for a limited period for demonstration purposes will not affect any investment allowance deduction which might otherwise be allowable to a supplier.

COMMISSIONER OF TAXATION  
7 January 1985

<