



Taxation Determination

Income tax: what is the car limit under section 40-230 of the *Income Tax Assessment Act 1997* for the 2017-18 financial year?

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This publication (excluding appendices) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this determination, the Commissioner must apply the law to you in the way set out in the determination (unless the Commissioner is satisfied that the determination is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this determination if it turns out that it does not correctly state how the relevant provision applies to you.

Ruling

1. The car limit under section 40-230 of the *Income Tax Assessment Act 1997*¹ for the 2017-18 financial year is \$57,581.

Example

2. In July 2017, Laura buys a car for \$60,000 to use in carrying on her business. The car is of a type to which the car limit applies. As Laura started to hold the car in the 2017-18 financial year, in working out the car's decline in value for the 2017-18 income year, the first element of cost of the car is reduced to \$57,581.

Date of effect

3. This Determination applies for the financial year commencing on 1 July 2017.

Commissioner of Taxation

28 June 2017

¹ All legislative references in this Determination are to the ITAA 1997, unless otherwise specified.

Appendix 1 – Explanation

❶ *This Appendix is provided as information to help you understand how the Commissioner's view has been reached. It does not form part of the binding public ruling.*

4. 'Car limit' has the meaning given by section 40-230. It is used for the purposes of applying various provisions, including working out the first element of cost of certain cars when calculating their decline in value.²

5. The car limit is indexed annually in line with movements in the motor vehicle purchase sub-group of the Consumer Price Index³, unless the indexation factor is 1 or less.⁴ An amount is indexed by multiplying it by its indexation factor.⁵

6. The indexation factor for amounts that are indexed on an annual basis is calculated as:

$$\frac{\text{the sum of the index numbers for the quarters in the year ending on 31 March just before the start of the relevant financial year}}{\text{the sum of the index numbers for the quarters in the year ending on the previous 31 March}^6}$$

7. The sum of the index numbers for the quarters in the year ending on:

- 31 March 2017 was 376.7, and
- 31 March 2016 was 382.7,

resulting in an indexation factor of 0.984 (rounded to 3 decimal places⁷).

8. As the indexation factor is less than 1, there is no indexation of the car limit.

9. The car limit for the 2017-18 financial year therefore remains at \$57,581.

² Subsection 40-230(1).

³ See subsection 40-230(3). This limit is indexed annually in accordance with the CPI indexation method provided by Subdivision 960-M.

⁴ Subsection 960-270(2).

⁵ Subsection 960-270(1).

⁶ Subsection 960-275(1).

⁷ Subsection 960-275(5).

References

Previous draft:

Not previously issued as a draft

Related Rulings/Determinations:

TR 2006/10

Previous Rulings/Determinations:

TD 2013/15; TD 2014/17; TD 2015/16;
TD 2016/8

Legislative references:

- ITAA 1997
- ITAA 1997 40-230
- ITAA 1997 40-230(1)
- ITAA 1997 40-230(3)
- ITAA 1997 Subdiv 960-M
- ITAA 1997 960-270(1)
- ITAA 1997 960-270(2)
- ITAA 1997 960-275(1)
- ITAA 1997 960-275(5)
- TAA 1953

ATO references

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