

GST and Depreciation Cost Limits for Motor Vehicles

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Business

GST

This article considers the impact on depreciation and GST when purchasing a motor vehicle for your business.

As a business owner you may be thinking of purchasing a motor vehicle as part of your business. While this may sound attractive, business owners should carefully consider the purchase price and its impact for tax and GST purposes.

Motor Vehicle cost limit

The ATO currently imposes a cost limit of \$57,581 for both GST and depreciation on motor vehicles used for business purposes. A motor vehicle is only generally exempt from the cost limit if they are specifically designed for their occupation (e.g. emergency vehicles, is held as stock, not designed to carry passengers or specifically fitted for the transporting disabled people in wheelchairs).

Claiming GST on your Motor Vehicle purchase

When claiming GST on the purchase of a motor vehicle you can only claim up to the cost limit, anything in excess to this figure has no impact on your GST claimed. The maximum amount of GST claimable is one-eleventh of the cost limit, being \$5,234.

Allowable Depreciation on your Motor Vehicle

The calculation for the depreciation deduction allowed is the lower of the cost limit (\$57,581) or the value of the motor vehicle less GST claimed. For a motor vehicle worth \$60,000 you will be able to depreciate \$54,766 (lower of \$57,581 or \$60,000 less cost limit).

Below is a table which summarises the cost limit for GST and depreciation purposes for three cars costing \$40,000, \$60,000 and \$80,000 (including GST).

	Vehicle	\$40,000	\$60,000	\$80,000
	GST	\$3,636	\$5,234	\$5,234
		As the vehicle is under the cost limit, full GST is able to be claimed	As the vehicle is above the cost limit, only \$5,234 of GST can be claimed	As the vehicle is above the cost limit, only \$5,234 of GST can be claimed
		\$36,364	\$54,766	\$57,581
Depreciation		As the vehicle is under the cost limit, full depreciation can be claimed	Depreciation is calculated on lower of cost limit (\$57,581) and the gross price of vehicle less GST claimable (\$60,000 – \$5,234)	Depreciation is calculated on lower of cost limit (\$57,581) and the gross price of vehicle less GST claimable (\$80,000 – \$5,234 = \$74,766)
		\$0	\$0	\$17,185
Excess		Full GST and depreciation are able to be claimed	GST is only able to be claimed up to the cost limit however the excess is taken up as depreciation	There is \$17,185 excess which is unable to be claimed as a GST credit or tax depreciation (\$74,766 – \$57,581 = \$17,185)

From the table above it can be identified that as the price of the motor vehicle increases, the GST claimable and income tax deductions are capped, resulting in further excess spending that has no tax impact.

Tax disadvantages can arise if the vehicle is subject to Fringe Benefits Tax (FBT) through private use by employees. For FBT purposes, the cost base calculated is based on the original cost price of the vehicle (including any excess over the cost limit).

Luxury car tax considerations when purchasing a motor vehicle

Luxury Car Tax is included in purchases of vehicles over \$66,331 (or \$75,526 for fuel efficient vehicles) and any GST credit cannot be claimed on the Luxury Car Tax paid.

When considering purchasing a motor vehicle above the cost limit it is best to discuss the pros and cons with your accountant before any formal arrangements are made.

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