

STD 98/1A2 - Notice of Addendum - Taxable value of new motor vehicles with a gross vehicle mass of 7.5 tonnes or less



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This Document forms part of Sales Tax Determination STD 98/1; it is a Ruling for the purposes of section 77 of the *Sales Tax Assessment Act 1992* and may be relied upon by any person to whom it applies.

Addendum to Sales Tax Determination

Title: Taxable value of new motor vehicles with a gross vehicle mass of 7.5 tonnes or less

This Addendum amends Sales Tax Determination STD 98/1 as follows:

Before the heading 'Communication of the Decision' (page 7)

Insert the following heading and section:

Questions and answers about the taxable value of new motor vehicles with a GVM of 7.5 tonnes or less

These answers about the taxable value of new motor vehicles respond to the most commonly asked questions at seminars and in representations to the Australian Taxation Office.

In this section, 'the Determination' means Sales Tax Determination STD 98/1.

Question 1

Question: In relation to the taxable dealing of the motor vehicle, when does termination of the bailment or transfer of property to the retail dealer company occur?

Answer: Termination of bailment occurs on the date when the cheque is posted or the electronic funds transfer is made to the wholesale finance company. For a transaction from a dealer wholesale company to the retail dealer company, transfer of property occurs on the date the transaction for the vehicle is entered into the journal, provided that the dealer wholesale company pays out the finance company on the same day. The actual time on that date that these occur will not be a factor.

Upgrade/modification(s) that commence on these dates will occur after the taxable dealing with the vehicle.

Question 2

Question: Does the Determination still apply if there is re-financing by the retail dealer to enable termination of bailment?

Answer: Yes. Dealer retail companies can arrange capital loans, floating charges or other forms of re-financing to pay out the bailment over the vehicle, provided title in the vehicle does not remain with or pass to the finance company.

It will be necessary to put into place a system to identify:

- that there has been a wholesale sale (by payment of the purchase price) of the vehicle to be modified by the dealer;
- the date of that sale; and
- the date on which an upgrade/modification was made.

Question 3

Question: What items are *included* in the retail value of upgrade/modification(s)?

Answer: Upgrade/modification(s) means any alteration or change to a new motor vehicle after it leaves the manufacturer/importer that does not constitute manufacture. It includes the following items if applied to the new vehicle:

- 'after market' applications such as paint protection, fabric protection, rust proofing, puncture protection, sound proofing and window tinting;
- LPG conversions;
- second-hand parts or accessories; and
- parts and accessories supplied by the customer. Their value, being the price paid by the customer, must be included as the definition of 'upgrade/ modification(s)' refers to the retail value of 'any' alteration or change.

Question 4

Question: What items can be *excluded* from the retail value of upgrade/modification(s)?

Answer: Items that do not have to be included in the calculation of the retail value of upgrade/modification(s) include:

- 'free give-aways' that are not included in the list price of the vehicle. These have a nil value as there is no charge to the customer;
- 'pre-delivery services' and 'new vehicle delivery fee', provided these cover services and expenses that are within the Australian Automotive Dealers Association guidelines; and
- extended warranty charges.

Question 5

Question: Can the formula set out in paragraph 1(e) under **Decisions** in the Determination be applied where exempt goods are used in the upgrade/modification(s)?

Answer: No. An 'off-set' of sales tax is only available where taxable goods are used in the upgrade/modification(s). It is intended that the formula only be applied where taxable goods have been used in the upgrade/modification(s). For example, where exempt goods are used in the conversion of a vehicle to LPG gas, no 'off-set' is available as no sales tax has been paid on the parts used.

Question 6

Question: What happens if the modifier fails to separate parts and labour on the invoice?

Answer: The sales tax calculated on the taxable value of a new vehicle may be reduced by sales tax borne/paid on parts, accessories and materials used in the upgrade/modification(s), provided the sales tax can be ascertained. Sales tax may be shown on the invoice or ascertained by applying the formula set out in paragraph 1(e) under **Decisions** in the Determination. The formula requires the value for parts to be identified. Unless this is the case, the formula cannot be used and no 'off-set' of sales tax is available.

Question 7

Question: What happens if a vehicle is moved out of bailment when the upgrade/modification(s) have only been partly completed?

Answer: Where a dealer has a single contract with the customer and the upgrade/modification(s) commences before the taxable dealing and is completed later, the full retail value must be included in the calculation of the taxable value of the motor vehicle. If the original contract has been finalised and the customer genuinely changes his/her mind and has additional upgrade/modification(s) carried out under a separate contract after the vehicle has been paid out, the modifier is only required to pay sales tax on the parts and accessories that have been used in carrying out the separate contract.

Question 8

Question: Do 'cash back' discounts offered by the retail dealer affect the taxable value of the vehicle?

Answer: No. Any discount offered by the retail dealer will not affect the taxable value of a motor vehicle as the taxable value is determined by the list price recommended by the manufacturer/importer. Unless the list price of the vehicle has changed, there is no change in the taxable value.

Commissioner of Taxation

29 April 1998

Related Determinations:

Related Rulings:

Subject Ref: motor vehicles; section 43 agreement; spare parts and accessories; taxable value; upgrade/modification(s)

Legislative Ref: STAA 43

Case Ref:

ATO Ref: NAT 98/127-3

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