

## **Tax Tools – Car Depreciation Cost Limit**

Normally we can claim the full cost of a car over the life of the asset, which is normally about 5-6 years. Therefore, if a Car Costs \$35,000 we can claim approximately \$7,000 a year as a Tax Deduction, classed as Depreciation for 5 years. This assumes the car is used 100% for business purposes.

However, the Tax Office does not like to provide a tax deduction for vehicles they treat as “luxury vehicles”. The depreciation cost limit for the Year Ending 30 June 2017 is \$57,581.

This means if you purchase a 4wd drive car, which is used 100% for business purposes, for \$77,581, you cannot claim a Tax Deduction for \$20,000 ( $\$77,581 - \$57,581$ ), over the next 5 years. This means you lose about \$6,000 in Tax Savings, over this time.

This rule does **NOT** apply to commercial vehicles which are deemed to be vehicles that carry 9 or more passengers and/or designed to carry a load of 1 tonne or more.