

# CLASSIC creations

Not many of us would have considered a classic or restoration car as a salary packaging option but as **Matt Honan** explains it is certainly a good choice.



Matt Honan, Remunerator

## As the salary packaging of motor

**vehicles** becomes more common place, we are finding that people are looking for more innovative ways of including motor vehicles in their salary package.

In previous editions, I have looked at the packaging of utilities and used cars, but this time I shall look at the packaging of a car that you wish to restore.

The main types of motor vehicles that fall in this category are classic cars.

These days, with a strong economy and the baby boomers now approaching retirement, we are finding that classics extend beyond Porsche and Ferrari.

## ...GET THE TAX MAN TO HELP YOU CREATE A CLASSIC...

Recently a 1972 Ford Falcon GTHO sold for \$250,000!

So how can we get the Tax Man to help you create a classic?

Well, first you decide on the classic car you desire. Then look for one that you can afford that is in desperate need of restoration. It is as equally important that you properly research how much it will cost to restore as many an old cars are held together by its bolts ... remove one and the hidden rust does the rest!

The best reason for finding one requiring lots of work is that not only does it give you a hobby but it will be cheap.

Then we salary package the car under an associate lease and use the Statutory Method

for calculating the FBT.

The keys benefits will be:

The base value will be the purchase price which, depending on the type of car you have purchased, should be relatively low. Furthermore, the base value does not increase as the condition of the car improves. This is based upon the fact that base value only changes when you fit 'non-business accessories' to the car.

Maintenance will cover most of the restoration costs as usually you will be replacing existing parts.

While the car is being repaired, it will be off the road and should qualify for the "unavailability" provisions under the Statutory Formula calculations which means not FBT payable during this time.

Case study

You decided that you would like to buy an old 1966 Ford Mustang. One in fairly average condition can cost you about \$25,000. A perfectly restored one can cost you more than \$40,000.

Let's say that it will cost about \$7500 per annum for three years to bring the car to a 'concours' standard and will be off the road for about six months per year while certain items get repaired. You always end up spending more than what you would get for it, except if it is a very soughtafter classic.

We still have to insure and register the car.

The associate lease payments will be based on the original purchase price and equate to \$6167 per annum.

Let's investigate the savings based upon someone earning \$90,000 per annum.

## CASE STUDY

Base value:	\$25,000
Distance:	less than 15,000km
Unavailability:	180 days
Associate lease payments:	\$6167
Registration and CTP:	\$500
Petrol and oil:	\$1500
Maintenance:	\$8000

	Without packaging	With packaging
Gross salary	\$90,000	\$71,867
Plus motor vehicle		
- Lease payments		\$6,167
- Maintenance		\$10,000
- FBT		\$2,864
Less input tax credits		(\$899)
<b>Total package</b>	<b>\$90,000</b>	<b>\$90,000</b>
Less tax	(\$25,199)	(\$17,867)
Take-home pay	\$64,801	\$54,001
Associate lease payments		\$6,167
Less identified expenses		
- Rego & CTP	\$500	
- Petrol & Oil	\$1,500	
- Maintenance	\$8,000	
<b>Cash remaining</b>	<b>\$54,801</b>	<b>\$60,168</b>
Cash gain from salary packaging is \$5367		

*Note: These figures used are for illustration purposes only. Taxation information and calculations are based on current legislation as at 1 July 2007 and its interpretation, is subject to change without notice, does not constitute advice and should not be relied upon as a substitute for legal or other professional advice.*