



## CIB Tax Guide

# Individuals - Claiming motor vehicle expenses

When an individual uses their private motor vehicle for work related purposes they may be entitled to claim a tax deduction in their personal income tax return. Trips which would be eligible for inclusion as a tax deduction are:

- Travel between two workplaces
- Travel from a normal workplace or home to an alternate workplace eg. client premises and then return to normal workplace or home
- Travel from home to a workplace if home was the ordinary base for employment. This does not include a home office which is in addition to a primary office elsewhere
- Travel from home to various workplaces if you have shifting places of employment
- Travel from home to a workplace if you need to carry bulky tools that cannot be left at your workplace eg ladder

This factsheet explains the four methods available to calculate personal motor vehicle expenses.

### Cents per Kilometre Method

This method is based on a set rate for each business related kilometre travelled to a maximum of 5,000 kilometres. There is no formal written evidence required however an individual needs to be able to show how they worked out their business kilometres eg business diary.

The current rates as set by the ATO for 2013-2014 year are:

Engine Capacity	Cents per Kilometre
1.6 litre or less	65 cents
1.601 litre – 2.6 litre	76 cents
2.601 litre and over	77 cents

#### **Example**

Ben works in an office as his ordinary place of employment and drives a VW Golf with a 2L turbo

engine. Some work days he is required to visit a client and then proceeds to travel directly home. Ben may claim both portions of the travel being office to client and then client to home. Ben does this numerous times during the year and it totals 1,542 business kilometres. Ben's income tax deduction would be calculated as follows:

$$1,542 \times \$0.76 = \$1,172$$

### Logbook Method

This method is based upon claiming the business-use percentage for the total expenses of the car. The business-use percentage is determined by keeping a logbook for a continuous 12 week period which records the following information:

- Date of travel
- Opening odometer reading
- Closing odometer reading
- Purpose of travel
- Description of travel ie. Destination

Once a logbook has been completed it is valid for 5 years unless there is a significant change to business related travel.

To claim an expense each year an individual needs the opening and closing odometer readings for the car, the business-use percentage and details of all expenses for the car for the year.

The types of expenses which are included are fuel, oil, insurance, repairs, servicing, tyres, batteries, registration, interest on car loan and depreciation. Capital costs such as the initial purchase of the car or any improvements are not included as expenses. The depreciation cost base is limited to \$57,466.

Written evidence of all expenses must be retained with the exception of fuel expenses which may be estimated based on the odometer readings of the car.



### Example

Ramon drives an Audi RS6 and has a logbook from two years ago which shows a business-use percentage of 68%. His vehicle usage has not varied significantly since he recorded his logbook. Ramon's total motor vehicle expenses for the year are \$16,500 including depreciation and he has retained receipts for all expenses. Ramon elects to use the logbook method and calculates the following:

$$\$16,500 \times 68\% = \$11,220$$

Ramon's income tax deduction is \$11,220.

### 12% Original Value Method

The method is based on claiming 12% of the original cost of the car as a tax deduction. An individual must have travelled more than 5,000 business related kilometres in the year to use this method as shown by some evidence such as a business diary. An individual is required to retain their purchase contract as proof of a vehicle's original cost and the cost is limited to a maximum of \$57,466.

### Example

Greg drives a Porsche 911 GT3 and maintains a business diary showing 10,500km of business related travel for the year. He elects to use the 12% original cost method and his tax deduction would be calculated as follows:

Original Cost	\$281,600
Cost Limit	\$57,466
12% of cost limit	\$6,896

Greg's tax deduction is \$6,896 for the year.

### One-third of Actual Expenses Method

This method allows an individual to claim one-third of all car expenses including private expenses provided more than 5,000 business related kilometres are travelled during the year.

The types of expenses which are included are fuel, oil, insurance, repairs, servicing, tyres, batteries, registration, interest on car loan and depreciation. Capital costs such as the initial purchase of the car or any improvements are not included as expenses. The depreciation cost base is limited to \$57,466.

Written evidence of all expenses must be retained with the exception of fuel expenses which may be estimated based on the odometer readings of the car.

### Example

Joe drives a Hybrid Camry with a 2.5L engine and has travelled 8,000 business related kilometres during the year. His total expenses including depreciation total \$15,380 and he has retained written evidence for all expenses. Joe elects to use the one-third actual expenses method and calculates the following:

$$\$15,380 / 3 = \$5,126$$

Joe's income tax deduction is \$5,126

If you want to make sure you are not missing any motor vehicle deductions please contact Joel Halbert or Graeme Bellach on 02 9683 5999.

**Important:** Items herein are general comments only and do not constitute or convey advice per se. You should not act solely on the basis of material contained in this factsheet. Also changes in tax rates and legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of these matters. Tax has been calculated using the 2013-14 tax rates. Based on income tax legislation as 10 April 2014. © CIB Accountants and Advisers