

# Motor Vehicle Deductions

Tax deductions for expenses relating to your motor vehicle are allowable *if* they were incurred in the course of deriving assessable income or in carrying on a business.

## Allowable Motor Vehicle Deductions

Examples of expenses that you can claim include –

- Petrol
- Oil
- Repairs
- Servicing
- New tyres
- Lease charges
- Interest on a car loan
- Depreciation
- Car washes and polishes
- Bridge and road tolls
- Car registration, comprehensive and third party insurance

## Non Deductible Expenses

Not all motor vehicle expenses are allowable deductions. Some examples of non-deductible items include –

- Cost associated with obtaining a drivers license
- Parking fines
- Driving offence fines

## Methods of calculating deductions

There are a number of different methods to calculate the motor vehicle expense that can be claimed as tax deductions which are as follows:

- Log book method,
- Set rate (cents per km),
- 12% of original cost,
- 1/3 of actual expenses.

As you are able to use the method that gives you the best tax deduction, it may mean that the method used for calculating your motor vehicle expenses changes from year to year.

*This fact sheet is of a brief overview and is not intended to be wholly relied upon the information contained herein. No warranty express or implied is given with respect of the information provided and accordingly no responsibility is taken for any loss resulting from any error or omission contained. You should not copy, distribute, or commercialise the information unless you are authorized to do so.*

## 1. Log book method

The Log book method is calculated by keeping a log book for a minimum of 12 weeks to average the amount of personal to business use kilometers the car travels. The total of your motor vehicle expenses are multiplied by the amount of business percentage recorded in your log book to determine your tax deduction. Please note the following:

- Log books are required to be kept for at least 12 weeks in the first year and then every five years thereafter. You need to log your kilometers for twelve weeks again if you change your job, residential address or any other circumstances which will affect your business to personal kilometer ratio;
- Odometer records required;
- Written evidence of expenses (receipts etc) required; and
- Fuel and oil expenses may be substantiated by odometer records.

## 2. 12% of original value method

This method is calculated on 12% of the original purchase price of the car. This can be claimed up to the luxury car limit of \$57,123 for the 2008 tax year and \$57,180 for the 2009 tax year. Please note the following:

- Business/work use must exceed 5,000 kilometers per annum;
- No substantiation of expenses required; and
- Number of business kilometers based on a reasonable estimate

## 3. One third of actual car expenses method

This method is calculated simply by totaling the motor vehicle expenses for the year and then dividing by 3 to determine the tax deduction in respect of these motor vehicle expenses. Please note the following:

- Business use must exceed 5,000 kilometers;
- Written evidence of expenses required; and
- Log book records not required

## 4. Cents per kilometer method

This method is calculated by working out the business kilometers the car has traveled and then multiplying that by 58, 69 or 70 percent depending on the engine type and capacity of the motor vehicle. Please note the following:

- Maximum kilometers allowed to be claimed per taxpayer are 5,000km per annum per car;
- Substantiation of motor vehicle expenses not required;
- Number of business kilometers based on reasonable estimate; and
- Calculation based on capacity and type of motor

*This fact sheet is of a brief overview and is not intended to be wholly relied upon the information contained herein. No warranty express or implied is given with respect of the information provided and accordingly no responsibility is taken for any loss resulting from any error or omission contained. You should not copy, distribute, or commercialise the information unless you are authorized to do so.*

## Substantiation

Where substantiation of records is required, the records for motor vehicle expenses must be kept for five years after the relevant return is lodged or until any relevant dispute is settled.

If you feel that the work/business use of your motor vehicle is significant and you have not completed a log book for a 12 week period in the last 5 years, you should contact your Client Manager for instructions and a complementary log book.

*If you have any questions or require any further information please feel free to contact your Client Manager and they will be happy to assist you.*

*This fact sheet is of a brief overview and is not intended to be wholly relied upon the information contained herein. No warranty express or implied is given with respect of the information provided and accordingly no responsibility is taken for any loss resulting from any error or omission contained. You should not copy, distribute, or commercialise the information unless you are authorized to do so.*



Contact us for more information

Phone 07 5522 3222

Fax 07 5593 4409

Email [mckern@mckernassoc.com.au](mailto:mckern@mckernassoc.com.au)