Maximising Motor Vehicle Expense Claims

Employers and individuals using a vehicle for work may find it useful to consult ATO guidelines when claiming work related travel expenses.

Individuals and business owners may be able to claim car travel expenses in the following circumstances:

• If they have to carry bulky goods or equipment back and forth to work that cannot be left at the workplace
• Use a vehicle for work purposes
• Are a home based worker
• Require different vehicles to travel to different offices
• Travel between business locations during the day

Claimants should account in their Tax Return for any allowances provided by employers.

The following are ways in which you can claim motor vehicle expenses:

LOGBOOK METHOD (for Employers, Employees and those in business)

The best method to claim vehicle costs is to maintain a log book.

The requirement is that the logbook be kept for 12 weeks, which serves as sufficient record of usage with the same car for the next five years.

The logbook helps calculate the business percentage usage of the car which should be somewhere between 80 to 95 per cent, and allows most running and maintenance, finance costs and depreciation or lease expenses to be claimed.

This method leads to the largest tax deduction as long as all receipts are kept and the logbook entries can be substantiated. Like most self assessment claims, it is up to the claimant to keep thorough evidence to support any deductions submitted to the ATO.

CENTS PER KILOMETRE (for Employees and self employed persons who travel less than 5,000 km for Tax Purposes)

The ATO provides a rate per business kilometre table which calculates the cents per kilometre of the car’s engine capacity multiplied by the number of kilometres travelled. A maximum of 5,000 km can be claimed each year with diary evidence to show how the rate per km was worked out. This method is best for those making a few trips a year with the maximum claim being $3750.
12 PER CENT OF THE ORIGINAL VALUE (For Employees and self employed persons who travel more than 5,000 km for Tax Purposes)

Using this method, the claim is equal to 12 per cent of the cost of the car. This method may be more appropriate for those who have purchased a new vehicle and have travelled more than 5,000km that year. The maximum claim is 12 per cent of a vehicle costing up to $57,466, and requires evidence of how the business kilometres were calculated.

ONE THIRD OF ACTUAL EXPENSES (For Employees and self employed persons who travel more than 5,000 km for Tax Purposes)

This method may best apply for those who have travelled more than 5,000km in a year in an existing vehicle. A third of the costs of running the car such as fuel, registration, insurance, services and maintenance can be claimed with the submission of written evidence and invoices as proof.

Should you wish to discuss the above issues in further detail, please do not hesitate to contact Marsh Tincknell on 07 3422 8000 or info@mtaccountants.com.au