

Motor Vehicle Deductions

In most businesses today, using your private motor vehicle for business purposes has become second nature. However, whether these expenses are tax deductible depends on the nature of your trips.

What you can claim

Generally, travel required for business or income producing purposes will be deductible. However in contrast, travel between home and work is considered private and therefore the associated expenses will not be deductible, except where:

- Your home is considered a 'place of employment' and you travel between two places of employment or business.
- You are considered to have effectively started your employment before leaving home (eg. a consultant who services their client from home).
- The nature of your journey requires you to transport 'bulky' work related equipment between your home and work.
- Your employment is of an itinerant nature ie your location of employment differs daily (eg. sales person).
- The journey between your home and work is broken for work related duties other than collecting or dropping mail.

Assuming you are eligible, your motor vehicle claims must be determined using one of the following four methods:

1. CENTS PER KILOMETRE METHOD

Under this method, your claim is determined by multiplying the number of business km travelled during the financial year by the statutory rate as determined by the Australian Taxation Office.

The relevant statutory rates for the 2011 financial year are:

Engine capacity (Litres)		Cents per km
Ordinary engine	Rotary engine	
1.6L or less	0.8L or less	63
1.6L – 2.6L	0.8L – 1.3L	74
2.6L or more	2.6L or more	75

Please note that this method limits the number of business kilometres travelled to **5000km or less**.

2. 12% OF ORIGINAL VALUE METHOD

To use this method, your car must have travelled for **more than 5000 business km** in the income year. Your claim is calculated by multiplying 12% to the original cost of your car, where the original cost is the total of your purchase price, dealer changes and stamp duty.

3. A THIRD OF ACTUAL EXPENSES METHOD

Similar to the '12% of original cost method', you must have travelled **more than 5000 business km**. Additionally you are required to keep the odometer readings for the car for both the start and end of the period for the income year. Your claim will be one third of the actual car expenses incurred during the year provided that the expenses can be substantiated.

4. LOG BOOK METHOD

This method may be used regardless of the number of business km travelled. However all car expenses need to be substantiated including the following motor vehicle expenses:

- Registration and insurance
- Repairs and maintenance
- Fuel and oil
- Depreciation

Your motor vehicle deduction is then calculated based on the business percentage of the total km travelled by the car during the income year multiplied by the running costs of the car.

In keeping a log book, it is required by the ATO that the log must cover a minimum of 12 continuous weeks and show:

- When the logbook period begins and ends
- The car's odometer readings at the start and end of the log book period
- The total km travelled in the log book period
- The kilometres travelled for work activities based on journeys recorded in the logbook. In recording the journeys, you need the start and finishing times of the journey, the odometer readings at the start and end of the journey, kilometres travelled and the reason for the journey.
- The business use percentage for the log book period.

Note that the log book is only valid for a maximum of five years. If you wish to continue with the log book method, you are required to begin a new log book.

The table below summarises these four methods of determining motor vehicle claims:

Method	1. Cents per Km	2. 12% of original cost	3. 1/3 of actual expenses	4. Log book
Requirements for eligibility	None – Only a maximum of 5000 business km can be claimed	More than 5000 business km must be travelled	More than 5000 business km must be travelled	A log book must be kept for a minimum of 12 weeks
Deduction basis	Number of Business Km travelled	Original value of the motor vehicle	The running cost of the motor vehicle (eg. fuel, services, etc)	The running cost of the motor vehicle (eg. fuel, services, etc)
Calculation	Business km travelled x Relevant cents per km	Original value of the motor vehicle x 12%	The running cost of the motor vehicle x 1/3	The running cost of the motor vehicle x % of business use
Do expenses have to be substantiated?	NO	NO	NO	NO

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