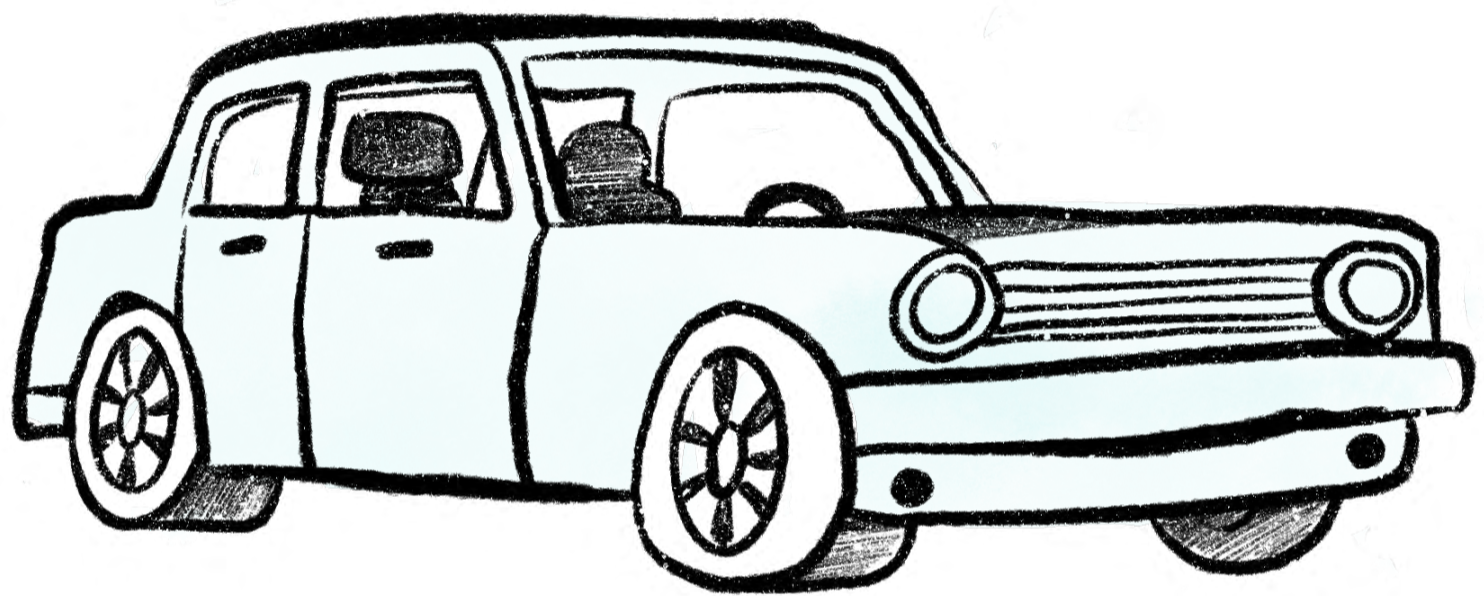


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**TAX TIPS**

## **BUSINESSES** CLAIMING VEHICLE EXPENSES

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## BUSINESSES CLAIMING VEHICLE EXPENSES

This eBook will explore how businesses of different structures can claim their work-related vehicle expenses as tax deductions. Whether you drive a car or use an alternative vehicle for your business, the book outlines common methods used to track, record, and calculate your vehicle expenses.



## CARS AS A TAX DEDUCTION

Cars are defined by the ATO as “motor vehicles (excluding motorcycles and similar vehicles) that carry loads less than one tonne and less than nine passengers”. Many four-wheel drive vehicles are included in this definition.

## METHODS TO CLAIM CAR EXPENSES

If you use your car in your business, or the business owns your car, there are different methods for claiming tax deductions for cars used in your business. These are:

1. Cents per kilometre method
2. Logbook method

### CENTS PER KILOMETRE METHOD - INDIVIDUALS / SOLE TRADERS

The cents per kilometre method uses a single rate per kilometre and allows you to claim up to 5,000 kilometres per annum for using your car for business purposes.

You will need to keep written evidence of the amount of business kilometres you have travelled. This can be done on a simple diary or log.

The 5,000 kilometres is on a per car basis. Where a car is jointly owned, and the car is used for different income generating purposes you can each claim 5,000 business kilometres.

The cents per kilometre rate is as follows:

YEAR	CENTS PER KILOMETRE RATE
FY21, FY22	72 cents
FY20, FY19	68 cents
FY16, FY17, FY18	66 cents



## CAR DEPRECIATION LIMIT

There is a limit on the cost you can use to work out the depreciation of cars. The maximum value you can use for calculating your claim is the car limit irrespective of whether you paid more for the car. Presently with accelerated depreciation rules there is a temporary full expensing of the cost of a business asset which you would likely qualify for.

YEAR	CAR LIMIT
FY23	\$64,741
FY22	\$60,733
FY21	\$59,136
FY20, FY19, FY18	\$57,581

### Example: Applying the car limit

In July 2021, you buy a car for \$88,000 (including GST) to use in running your business. As you bought the car in the 2021–22 financial year, you reduce the depreciable amount to \$60,733. You would also claim \$8,000 back in your Business Activity Statement.

## LATER SALE OR DISPOSAL OF YOUR CAR

If you have claimed an immediate deduction for an asset and then sell or dispose of that asset, you will need to include the sale price in your assessable income for that year. Be careful here as you will need to charge GST on the sale of a business asset.

### Example: Sale of a car

You purchased a car in July 2020 for \$44,000 (including GST). You would have claimed \$4,000 back in your BAS and claimed a tax deduction as an instant write off of \$40,000. You later sell the car in January 2022 for \$22,000 (including GST). You remit \$2,000 in your Business Activity Statement and must declare the remaining \$20,000 as assessable income.

## **DAMAGE TO A THIRD-PARTY MOTOR VEHICLE**

If you are involved in a motor vehicle accident while working and you damage another vehicle, you may be able to claim deductions for the cost to repair your vehicle or the cost to repair the other vehicle if you are liable. The expenses for your liability to pay for damages are costs you incur in earning your employment income. They are not capital, private, or domestic.

## **OTHER VEHICLES AS A TAX DEDUCTION**

### **ACTUAL COSTS METHOD – COMPANIES AND TRUSTS OR SOLE TRADERS AND PARTNERSHIPS FOR OTHER VEHICLES**

If you use a vehicle other than a car for business purposes, you must use the actual costs method to claim deductions.

Vehicles other than cars include motorcycles, vehicles that seat more than eight people, vehicles that are designed to carry goods such as trucks, van etc.

The actual costs are based on the receipts collected for all work-related vehicle expenses. If you use the vehicle for private and work use, you can only claim the expenses related to work use and can be worked out as a percentage of the vehicle use.

#### **Example: Actual cost method**

You use your motorcycle for business making deliveries and personal use. You track your work-related use using a logbook. For the 12-week period you maintained a logbook you travelled 800km in total and 600km for work. You calculate the work use by dividing 600km by 800km to get 75%.

By keeping receipts of the expenses of the motorcycle including fuel, registration, etc, your total expenses amount to \$3600. To work out your work-related costs you multiply \$3600 by 75% to get \$2700.

## CLAIMING DEDUCTIONS FOR OTHER VEHICLES

You cannot claim other vehicle expenses under work-related car expenses, you must claim the deductions under the work-related travel expense section.

## DAMAGE TO A THIRD-PARTY MOTOR VEHICLE

If you are involved in a motor vehicle accident while working and you damage another vehicle, you may be able to claim deductions for the cost to repair your vehicle or the cost to repair the other vehicle if you are liable. The expenses for your liability to pay for damages are costs you incur in earning your employment income. They are not capital, private, or domestic.

## DEPRECIATION OF MOTOR VEHICLE

Like the use of a car, when using the actual costs method, you can claim a deduction for capital expenses such as the depreciation of vehicle's purchase price.

If you use the actual cost method while using a car you are subject to the following depreciation limits.

YEAR	CAR LIMIT
FY23	\$64,741
FY22	\$60,733
FY21	\$59,136
FY20, FY19, FY18	\$57,581

The table does not apply to other vehicles, only cars.