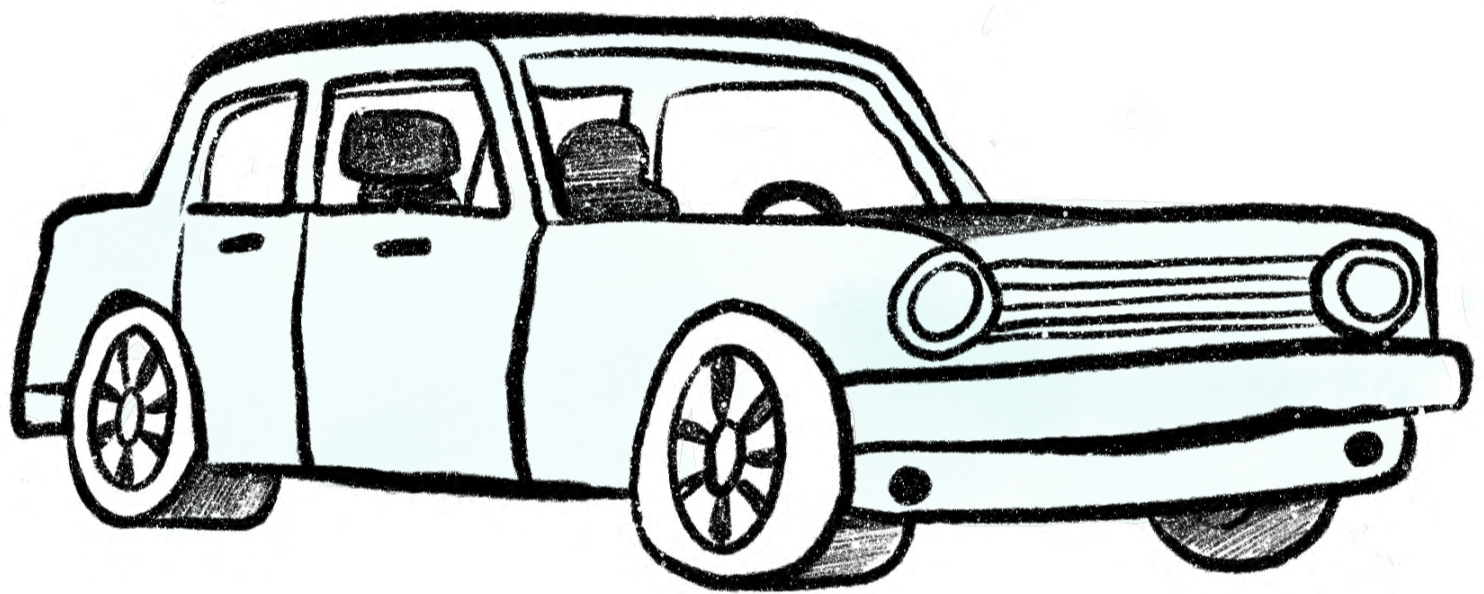


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TAX TIPS

INDIVIDUALS CLAIMING VEHICLE EXPENSES

DATE RELEASED: 30TH AUGUST 2022

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INDIVIDUALS CLAIMING VEHICLE EXPENSES

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

This eBook also highlights common misconceptions of the things you can and cannot claim as a vehicle expense when claiming tax deductions.



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.

EXPENSES YOU CAN CLAIM

You can only claim car expenses if you use your car for work duties. Such as attending meetings that are not at your regular workplace, travelling to a client’s house, delivering, or collecting supplies.

You can only claim expenses travelling between home and work if your employer requires you to start work at home then travel to a workplace, you have no fixed workplace and travel from one site to another, you carry equipment for work that are essential for work duties that can only be conveniently transported by a vehicle and the workplace cannot securely store the items at the workplace.

EXPENSES YOU CANNOT CLAIM

You cannot claim expenses on your car if you are travelling from home to work and vice versa, only under certain circumstances. If your employer reimburses you for your car payments, salary sacrifice, or have a novated lease, you cannot claim car expenses as you typically do not own the car.

METHODS TO CLAIM CAR EXPENSES

If you use your car in your car for work related duties, there are two different methods for claiming tax deductions. These are:

1. Cents per kilometre method
2. Logbook method

CENTS PER KILOMETRE METHOD

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

LOGBOOK METHOD


Using the logbook method, you claim the work-related portion of your actual expenses for the car. To work out the work-related portion of your use, you need to retain a logbook for a minimum continuous period of 12 weeks. All expenses associated with the car are then tax deductible based on the percentage of business use determined in your logbook.

Your logbook is valid for 5 years, however if your circumstances change, you will need to complete a new logbook. Your circumstances might change if you move house, get a new contract etc.

An expense you can claim under the logbook method is depreciation of the cost of the car. You will still use the percentage determined in your logbook as the basis for your tax deduction and there is a limit on how much you can claim depreciation for.

DOWNLOAD YOUR FREE LOGBOOK HERE

VEHICLE LOGBOOK



FBT year ended 31 March _____		Start Date:		Start Odometer reading:			
Income tax year ended 30 June _____		End Date:		End Odometer reading:			
Vehicle make:		Registration		No:		Employer name:	
Vehicle model:		Engine type:					
Date of trip:		Odometer reading:		Km travelled:		Purpose of Journey	Name/ signature of driver (optional)
Start	End	Start	End	Business	Private (optional)		

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 strictly for work.

- If you're not registered for GST, as you bought the car in the 2021–22 financial year, you reduce the depreciable amount to \$60,733.
- If you are registered for GST, you would also claim \$8,000 GST back in your Business Activity Statement.

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

If you use a vehicle other than a car for work 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 work 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.

USING SOMEONE ELSE'S CAR

If you use someone else's car for work duties, you can claim the expenses using the actual costs method mentioned above. If you can prove the owner has arranged the use of the vehicle, you can use the logbook or cents per kilometre method to record your use of the vehicle, although it is not required, it is an easy way to prove your use of the vehicle.

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 are using 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.