Motor Vehicle Claim Methods

Types of car expense methods

Under the income tax legislation, taxpayers are entitled to claim motor vehicle expenses under one of the four methods in relation to Business or "Work Travel" being:

1. The "cents per kilometre" method;
2. The "12% of original value" method;
3. The "one-third of actual expenses" method; and
4. The "log book method".

Reasonable estimate

You need only estimate the business kilometres; (which are dedicated trips undertaken solely in discharging your work duties) travelled during the income year. However, this estimate must **always** be based on sound data and judgement. The term commonly used is making a "**reasonable estimate**". You will normally be able to justify your reasonable estimate by records confirming your regular and irregular trips as follows:

Regular trips – distance and number of times trip undertaken

It is easier for you to evidence a "reasonable estimate" of business kilometres when your travel is regular. A regular trip would normally involve travelling from one work site to another, involving a predetermined number of business kilometres for a certain number of times during the financial year.

Irregular trips – individual trips to be analysed

Where your car travel does not follow any set format, but its business use is **random in nature**, more detailed records will be required to demonstrate that the claim is based on a "reasonable estimate", supported by sound data and judgement. It is recommended that you keep some form of diary for any irregular trips undertaken.

CAR EXPENSES – the "cents per kilometre" method

A taxpayer can use this method for their car no matter how many business kilometres the car travelled. However, if a taxpayer estimated a car travelled **more than 5,000 business kilometres in an income year**, he or she is **limited** to a claim of 5,000 business kilometres only for *that* car.

The cents per kilometre rates for 2010/11 are as follows:

Ordinary Cars	Rotary Cars	Cents Per Kilometre
Up to 1,600 cc	Up to 800 cc	63.0
1,601 cc - 2,600 cc	801 cc - 1,300 cc	74.0
2,601 cc and over	1,301 cc and over	75.0

You **do not** need to substantiate your car expenses under the cents per kilometre method as the cents per kilometre rates allow for the average running costs of a car.

CAR EXPENSES – "12% of original value" method

You may use this method if:

- your car travelled **more** than 5,000 business kilometres in the income year; or
- it would be reasonable to expect that the car would have travelled **more** than 5,000 business kilometres had it been used for the **whole income year**, eg. where it was purchased on 1 January 2011, and travelled 3,000 business kilometres to 30 June 2011, (see below for calculation of part year claims).

CAR EXPENSES "one-third of actual expenses" method

This method may be used where the business kilometres travelled by your car exceeds 5,000, or would have if you had used the car throughout the entire income year.

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A deduction equal to **one-third** of every allowable car expense incurred during the income year is available if you are eligible to use this method. Even though your car may not have been used for income-producing purposes for the whole year, you can still claim one-third of the total expenses for the entire year, as long as the car travelled, (or would have travelled) **more** than 5,000 business kilometres in an income year.

CAR EXPENSES – the "log book" method

The basis of the log book method is to reasonably estimate a **business use percentage** on your car(s) to apply to the total amount of *allowable* car expenses incurred during the income year.

Reasonable estimate
You calculate the number of business kilometres by making a reasonable estimate. In making the reasonable estimate, you must take into account **all** relevant matters including the following:

- any log books, odometer records or other records you have; and
- any variations in the pattern of use of the car; and
- any changes in the number of cars used in the course of producing your assessable income in an income year.

When making a reasonable estimate, you must be aware that a log book is only an indication of the business use of the vehicle. A reasonable estimate must in fact take into account, holidays, busy times of the year, long trips and **any other factor,** (eg. sickness, change of address, relocation of business premises, change in employment duties, rationalisation etc.) that may reasonably increase or decrease the business percentage indicated by a log book.

How many weeks do taxpayers need to keep a log book?
The log book must cover a continuous period of **at least** 12 weeks throughout which you held the car. If you hold the car for less than 12 weeks, the period must be the entire period for which you held the car. This continuous 12 week period may overlap the start or end of the income year, so long as it includes part of the year.