

CLAIMING CAR EXPENSES

Car expenses are the cost incurred as a result of using your car for work related travel. These substantiation rules apply to employees as well as self employed persons and partnerships including at least one individual taxpayer.

This does not apply to companies or trusts. If however the vehicle is owned in the name of the trust then there is a potential for deductions to be claimed. There may be Fringe Benefit consequences for any private use of the vehicle.

You can use one of the two methods summarised below to work out your car expenses. Choose the method that gives you the largest deduction and ensure you have the necessary evidence.

Method One - Log book

- Your claim is based on the business use percentage of each car expense.
- A log book is required to be kept for any 12 weeks in the first year of every 5 years.
- You need an odometer reading at the start and the end of the period of which you owned or leased the car.
- All receipt of the expenses incurred need to be kept.
- Fuel and oil expenses may be substantiated by odometer records.

Method Two - Cents per kilometre

- Your claim is based on a set rate for each business kilometre.
- You can claim a maximum of 5000 business kilometres.
- You do not need written evidence however the number of business kilometres must be based on a reasonable estimate.

Travel between home and work

You can claim the cost of trips between your home and work if:

- you use your car because you have to carry bulky tools or equipment (for example, an extension ladder) and you cannot leave them at work
- your home is your base of employment, and you start your work at home and travel to a workplace to continue the work
- you have constantly shifting places of employment.



You can also claim the cost of travel:

- between two workplaces (for the same job), or
- directly between two places of employment (two separate jobs).

You cannot claim the cost of trips between home and work even if:

- you do minor tasks, for example, picking up the mail, on the way to work
- you have to travel between home and work more than once a day
- you are 'on call' – for example, you are on standby duty and your employer contacts you at home to come into work
- there is no public transport near where you work
- you work outside normal business hours, such as shift work or overtime.

Travel from home to work while carrying bulky files

Travel between home and work will be deductible where the use of any employee's car can be attributed to the transportation of bulky/heavy equipment that is required for the employee to carry out their duties.

- A. The employee is required to supply their own equipment.
- B. The equipment is required for the employee to carry out their duties of employment on that particular day.
- C. The equipment is sufficiently bulky and/or heavy, so as to make it impractical to transport other than by use of the employee's own vehicle.
- D. There is no secure storage area provided by the employer for the storage of the employee's equipment and
- E. The employer does not compensate the employee for any tools that are stolen.

This can be contrasted with the situation where any employee's car is merely used as a matter of personal convenience or choice (i.e. transport the employee rather than bulky/heavy equipment), in which case, travel between home and work would be private and not deductible.