



Motor Vehicle Deductions

Sole Traders & Employees Only

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.

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 e.g. 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 i.e. your location of employment differs daily, e.g. 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 two methods:

1. Cents per Kilometer 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 2018 financial year is 66 cents per kilometer travelled. This is reviewed annually.

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

2. 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 kilometers 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, kilometers 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:

	Cents per Km	Log Book
Requirements for eligibility	None – note only a maximum of 5,000 business km's can be claimed	A log book will need to be kept for a minimum of 12 weeks
Deduction basis	Number of Business Km's travelled	The running cost of the motor vehicle e.g. fuel, services etc.
Calculation	Business km's travelled x Relevant cents per km	The running cost of the motor vehicle x % of business use
Do expenses must be substantiated	NO	YES

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Note: This information is of a general nature only and is not intended to be relied upon, nor to be a substitute for, specific professional advice. Also as changes in legislation may occur quickly we recommend that our formal advice be sought before acting in any of the above areas.

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