

Claimable Expense: Car Expenses

The following are requirements that Australian taxpayers need to fulfil to claim a deduction for their car expenses:

- ✓ Driving the car while performing work duties
- ✓ Attending conferences and meetings that are all relevant to the current employment, occurring away from the usual workplace
- ✓ Driving to two separate locations for employment-related responsibilities (one of the destination points should not include residence)
- ✓ Driving to two individual areas for two independent jobs
- ✓ Performing itinerant work
- ✓ Travelling from home to another workplace and then to the regular place of work



- ✗ Typical daily journeys do not count, including driving from home to work and vice versa. However, an exception to the rule is if you have to carry bulky items.

You can claim such a car expense if:

- ✓ Your employer requested you to take the cumbersome equipment to your home
- ✓ It is impossible to leave the item at work

Other cases also have certain conditions, such as:

- ✓ Travelling partly private where 50% of travel expenses are claimable
- ✓ You could claim a deduction only if your employer did not reimburse you.
- ✓ Claimable deductions should not have your salary sacrificed.

How Much Can You Claim?

Travelling using your own car entitles you to a deduction. Use either of the following methods for easier computation:

Cents Per Kilometre

This method lets you calculate how much your car expenses are so you can know how much you are allowed to claim. Here is how it works:

- ✓ Using the cents per kilometre method, you are eligible to claim up to 5,000 kilometres for each car you drive.
- ✓ This method should only include business kilometres or those journeys that are related to your job.
- ✓ You can still claim a deduction even if you do not have written evidence available, as long as you have a diary that shows how you generated the outlined expenses.

The amount per kilometre is equivalent to 68 cents.



Logbook

The second method is known as the logbook method. To explain further:

- ✓ Log expenses including the running costs, which are fuel, oil, and servicing fees
- ✓ It would help if you also recorded the vehicle depreciation, along with the insurance and registration for the car.
- ✗ You are not allowed to claim a deduction for capital costs, which include the money that you spent on purchasing the car that you use to drive from home to your workplace.
- ✗ The logbook should not include the principal on the loan you may have borrowed to buy the car.
- ✗ This method also does not cover any improvement expenses, such as the addition of tinted windows.

You have to record the odometer readings for a particular period. It typically runs for at least 12 weeks continuously or up to the whole time you use the car during the year.

If you have actual receipts, you can claim specific costs, including fuel and oil.

Meanwhile, if you do not have such records:

- ✓ You can still provide an estimate using the odometer readings you have documented in your logbook.
- ✓ Make sure that the readings are consistently logged from the start until the end of the period.

If you do not have your own car and you use someone else's, deductions are for the direct costs you paid for, including fuel.

How to Keep a Logbook for Car Expenses

The logbook should contain at least 12 weeks of continuous records. If you only have 11 weeks or less, you will need to extend the period up to the next financial year.

The following steps will help you keep your records on track:

- ✓ For employees with at least two cars, logbooks should be created for each vehicle.
- ✓ When recording for two or more cars, they should all cover the same period.
- ✓ The 12-week logbook has five-year validity.
- ✓ If you change jobs or any other circumstance that affects your current employment, you will need to create a new logbook covering another 12 weeks.

Logbooks can be on paper or through an electronic document. Some of the essential details to include are:

- ✓ The make and model of your car
- ✓ Engine capacity
- ✓ Registration number

Create a table listing the following in columns:

Start date for the journey	Odometer reading at the beginning	End date	Odometer at the end of the travel	Journey description	Total kilometres of the journey
14 January 2019	11.402 km	14 January 2019	11.411 km	Private - Travel to work	9 km
14 January 2019	11.411 km	14 January 2019	11.423 km	Business - meeting with client A	12 km
14 January 2019	11.423 km	14 January 2019	11.435 km	Business - return to office	12 km
14 January 2019	11.435 km	14 January 2019	11.444 km	Private - Travel to from office to home	9 km

How to Calculate Business-Use Percentage

1. Enter the logbook period.
2. Enter the total number of "kilometres of the journey" in the logbook period.
3. Get the number of "kilometres of the journey" done only for business purposes (exclude all the private use).
4. Compute the work-related usage by dividing the number in #3 by #2.
Multiply the answer by 100 to get the business-use percentage.

Note that it is not required to keep a logbook. However, it is the easiest way to provide evidence regarding your outlined work-related car costs.

Vehicles That Are Not Considered a Car

The following vehicles are not considered a car:

- ✗ Motorcycles
- ✗ Any vehicles with a carrying capacity of at least one tonne.
For example, a utility truck or a panel van.
- ✗ Any vehicles with a carrying capacity of at least 9 passengers.
For example, a minivan or a bus.

The cents per kilometre method does not apply to the vehicles mentioned above.

Therefore, you have to keep a logbook every time you drive to your workplace or perform your duties if you use any of those vehicles.