



Car expenses - what you should know to reduce your tax

You drive a vehicle for work and you know there are certain tax deductions you can claim, but you're not 100% sure. In fact, that is one of the main questions we receive at ITP, so grab a cup of coffee, relax and 'beep beep', we'll clear this question right up for you.

The ATO has tightened their claims right up this year and car expenses are one of the main items that will be closely looked at when people lodge their returns. There are only two ways you can claim your vehicle expenses – through keeping a log book, or claiming cents per kilometre.

Log book method

The biggest thing to remember if you choose to claim this way, is that you can only claim your work-related vehicle expenses. Driving to a visit client? Claimable. Driving for a business meeting from your place of work? Claimable. Going to the movies for entertainment? Not claimable, and the ATO will not look kindly if you try to lodge your tax return with that as a legitimate claim. The commute to and from work is also considered private vehicle use in most circumstances, so generally no claiming those kilometres.

In your log book, you'll need to note the following:

Make and model of car

- Rego number
- Dates and odometer readings of business travel only, for a continuous 12 week period
- A description of the travel and locations. Eg client visits to Glebe, Ashfield and Parramatta
- Odometer readings as at 30 June each year.

After keeping a log book for 12 weeks you must record the odometer readings as at 30 June for 5 years in succession. This will allow the percentage of business travel calculated in the original 12 week period to be used for the next 5 years without keeping a new log book.

If you don't keep the odometer records at 30 June each year then a new log book would be required.

Fuel and oil costs based on your receipts or estimated expenses based on odometer records from the start and the end of the period you had the car during the year can be claimed.

Cents per kilometre method

The good news, is that the cents per kilometre has risen to 68 cents, up two cents from the previous financial year. If you claim under this method, the single rate of 68 cents is applied to the business

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kilometres you have travelled up to a maximum of 5,000 kilometres per year.

You'll still need to provide your records and evidence to prove how you've worked out your business kilometres – for example a diary record of your business kilometres travelled would be sufficient. If you're the joint owner of a vehicle, you can each claim up to a maximum of 5,000 business kilometres.

Warning: Don't just claim the maximum 5,000 kilometres if you haven't actually travelled at least that far for business travel. The ATO is specifically targeting taxpayers who claim the 5,000 kilometres and may require you to provide additional records to back up that claim.

Claiming your expenses

Vehicle expenses include running costs such as rego, insurance, repairs, and depreciation of your vehicle based on the original purchase price and how long you have owned the vehicle. Loan interest or lease payments can also be claimed.

Don't forget to keep all of your receipts, as bank statements may not provide all of the necessary information and may not stand up to scrutiny.

It's true to say that there is no such thing as a standard tax deduction. Everyone is different and working out your claimable vehicle expenses can get tricky. It's best to check with the people who know what to claim. The last thing anyone wants is a 'please explain' letter from the ATO.

Registered tax agents are accountants who are people who have further studied in the complex area of tax. They do know what you can claim and will help you make the most out of your tax return. The best bit – not only will you claim things you weren't even aware of, but your expense is 100% tax deductible!

Booking is easy, click the link online today. We'll be right back in touch.

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