

Real Estate Agents Checklist

Motor Vehicle Expenses & Substantiation

This is a summary of the Motor Vehicle Substantiation Bill of 1994. Areas of the bill that are not relevant to the average taxpayer have been omitted. Accordingly, it should be treated only as a basic guide to build on when you consult your accountant. These notes do not apply if a company owns the motor vehicle, in which case the Fringe Benefits Act applies.

Exempt Vehicles:

To claim a deduction for the costs associated with the following vehicles, it is necessary only to keep a "record" of expenses:

- a) A taxi or a vehicle designed principally to carry a load of less than one tonne i.e. a utility, panel van or Hiace van with only the front seats and some dual cabs, provided that vehicle is used only for business travel, travel to and from work and buying lunch etc. The vehicle would still be considered only used for business if the private use is minor and irregular.
- b) Motor Cycles, Earthmoving equipment and Trucks designed to carry a load of more than 1 tonne.
- c) Motor vehicles used as trading stock or used for hire or cars you hire.
- d) Motor vehicles to which fringe benefits tax applies. Note there are other substantiation requirements in the Fringe Benefits Act that apply to these vehicles.

Note: If you borrow a car (i.e. use a car that is in your spouse's name) you are not entitled to use the following methods of substantiation but are still required to prove your claim. You must own or lease the car to be able to use the following methods.

Owning a car includes hire purchase agreements.

Methods of Substantiation:

There are 4 methods of substantiation available:

- 1) The flat 12% of the cost of the motor vehicle or market value when leased method which is available only to motor vehicles that travel more than 5,000 kilometres for business that year. Note – consult your accountant if the vehicle was more expensive than the average family car.
- 2) Claim a deduction for one third of the motor vehicle's expenses. The car must have travelled more than 5,000 kilometres for business that year. You will need odometer records and written evidence of all expenses.
- 3) If the motor vehicle travels less than 5,000 kilometres for business you may choose to use the cents per kilometre method. This method is also available for motor vehicles that travel more than 5,000 kilometres for business provided you reduce the claim to 5,000 kilometres only. You are required to keep a "detailed reasonable estimate" i.e. if you do the same number of kilometres per week, keep a record for one week and multiply by the number of weeks. If travel is irregular a list or diary entry of kilometres travelled is sufficient. Detailed means you cannot pull a number out of your head for the full year. According to TD93/177 it is the distance travelled by the taxpayer's car not the taxpayer that is relevant in calculating the kilometres travelled and each owner of the car is entitled to 5,000 kilometres. This means that if a car is owned jointly and both parties are travelling in the car together then you are still entitled to claim only up to 5,000 kilometres combined. On the other hand, if the car is owned jointly each owner is entitled to claim up to 5,000 kilometres each for business travel as an individual. For example, a husband and wife may own 2 cars and both cars are in joint names. The husband could use car one for 6 months and clock up 5,000 kilometres then swap with his wife and use car two for 6 months to

clock up another 5,000 kilometres. The wife could do the same with the cars reversed. As a result, they would both be entitled to claim 10,000 kilometres, 5,000 kilometres for each car they own. If you change cars during the year, you can claim 5,000 kilometres for each car. For the 96/97 year the cents per kilometre are: up to 1600cc 47c, 1601-2600cc 53.1c and over 2600cc 53.5c.

- 4) The log book method requires written evidence for all expenses and odometer records to be kept each year (refer definitions below). You may use the log book method if the car travels less than 5,000 kilometres for business but it is unlikely that this method will give you the best deduction. Log books are required to be kept at least every 5 years. The log book is to be kept for 12 continuous weeks (or the period you own the car if less than 12 weeks). If you have more than one car using the log book method a log book must be kept for each car at the same time. The log book should include the following:

At each entry:

- a) The date the journey began and the date it ended or for each day if journey longer than a day.
- b) The odometer reading at the start and end of the journey.
- c) The number of kilometres the car travelled on the journey.
- d) The reason for the journey, a pedantic auditor may require the destination (MT2026 Archived).

In each log book:

- a) The period the log book begins and ends.
- b) The odometer readings at the start and end of the log book period.
- c) The total kilometres travelled during the log book period.
- d) The business kilometres.
- e) The percentage of total kilometres that were business during the period.

Note: the actual percentage applied to the motor vehicle expenses is not necessarily that calculated in the log book because you are also required to take into account any other records including the odometer readings for that year, variations in the pattern of use and changes in the number of cars you own.

DON'T FORGET TO TAKE YOUR SPEEDO READING EACH 30TH JUNE

Written evidence:

Both the log book and one third of all expenses methods require “written evidence” of all expenses except fuel which can be calculated based on the amount of fuel used per kilometre. Note – if you calculate your fuel this way for the one third of all expenses method, you are required to keep odometer records as defined below. Written evidence must be a document from the supplier setting out the following:

- a) Name of the supplier
- b) Amount of the expense
- c) Description of goods or services
- d) Date of incurring the expense
- e) Date of document

Note: if the document does not show the date the expense was incurred, you can use a bank statement to support the claim. You may write the description of the goods or services on the document yourself. If the Commissioner considers it unreasonable to expect you to have written evidence (i.e. bridge tolls), you can just keep a record regardless of the size of the expense. If the expenses are for \$10 or less you may just keep a record of these expenses providing the total does not exceed \$200.

Odometer Records:

Each year a record must be made for each car under the log book and one third of expenses methods containing the following:

- a) The car's odometer readings at the start and end of the period.
- b) Any nomination regarding a replacement car. If this is the case, Items a, c & d should be kept for both cars.
- c) The car's make, model and registration number.
- d) The cubic capacity of the engine.

Changing Cars:

If you change cars during the year and the car would have done more than 5,000 kilometres for business if it had been used for a full 12 months, you may use the methods that require more than 5,000 kilometres business use. Careful, you may find you would be better off claiming the kilometre rate of 5,000 kilometres for each car. If you own a car for only part of the year and choose to use the 12% of cost method, you must pro rata the 12% over the period of ownership. If you are using the log book method and the new car will be doing the same travelling as the old, you can nominate to use the old log book as the log book for the new car, subject to the 5-year limit. **Note:** You must record the closing odometer reading on the old car and the opening odometer reading on the new.

When to Begin a New Log Book:

Log books must be renewed for a continuous 12 week period at least every 5 years. Odometer records are required every year. You must keep a log book for an income year if, during that year, you get one or more additional cars for which you want to use the log book method for that year. If the business percentage increases you should keep another log book to support a bigger deduction.

When Can Real Estate Agents Claim Their Motor Vehicle Expenses

Basically the only trip a Real Estate Agent can't claim for is the trip from home to the office if he or she is not carrying bulky equipment. Bulky equipment would be items that weigh more than 20kg in total or are too bulky and awkward to carry on the train etc. Signs are worth considering here. Further if a Real Estate agent travels from home to an abnormal work place (such as a property he or she has listed for sale) and then on to the office the whole journey from the moment he or she left home is claimable.

Once the Real Estate Agent arrives at work any further travel undertaken for work purposes during the day is tax deductible. In order to claim the trip home from the office, if a property listed for sale is not visited on the way home, the bulky equipment claim mentioned above in regard to home to work travel needs to be considered.

Note: With the bulky equipment claim you must have a reason, for carrying the bulky equipment.