Claiming a Motor Vehicle 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 2 methods of substantiation available:

1. 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.
2. 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: The log book requires "written evidence" of all expenses except fuel which can be calculated based on the amount of fuel used per kilometre. 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 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.

Claimable Work Related Travel

To claim up to 5,000kms per car the kilometre method can be used which does not require receipts or a log book but simply a detailed reasonable estimate. So it you travel to similar areas each month a record of the purpose of each journey and the kilometres travelled in the period multiplied to cover the whole year is a sufficient record. Also keep a record of one off trips.

If you do go over 5,000 kilometres a log book may be beneficial but usually a better claim is available by rotating cars if you have more than one car. For example you are a member of a couple and use you spouse's car sometimes. You can claim up to 5,000kms per car under the kilometre method. You must be the owner of the car to claim it under the kilometre method. If the car is only in your spouse's name you can make a declaration of joint ownership. If the car is in your parent's name but you pay all the associated costs because it is really your car you are considered the owner of the car.

You cannot claim a deduction for travel between home and your normal place of work unless you carry bulky equipment. A trip from work to home carrying bulky equipment so you can do work at home would not be deductible because you only take them home as a matter of convenience. That is you could finish the job off at work but you would prefer to work at home.

TR 95/34 covers a lot of the circumstances where a car can be claimed as a work related expense. This ruling is available on the ATO web site. Tax deductible work related travel falls into the following categories:

Itinerant – In FC of T v Wiener 78 ATC 4006; (1978) 8 ATR 335 a teacher was required to teach at a minimum of four different schools each day, and comply with a strict timetable that kept her on the move throughout each of these days. The court found that she was itinerant and therefore able to claim her travel costs from the moment she left home until she returned home. A minimum of two workplaces in one day will class you as itinerant unless one was your normal workplace. If you first go to your normal workplace you can only claim for travel after you reach there.

Travel After You Have Started Work – If you go out from your normal workplace and then return you can claim for that trip but not the trip to and from your home and your normal workplace. Examples of this sort of travel would be meetings at other offices, inspecting branches displays etc. If you go home, rather than back to your work, after these meetings etc you can also claim the trip home.

Abnormal Workplace – Taxpack at item D1 and MT 2027 paragraphs 32 to 35 discuss claiming travel to an abnormal workplace. It is important to note that you must first have a normal workplace to have an abnormal one. You can claim for travel from home to an abnormal workplace and back home or to another workplace or vice versa. In FC of T v Genys (1987) 17 FCR 495; 87 ATC 4875; (1987) 19 ATR 356 the Federal court made it clear that if you are an agency nurse without a normal workplace you cannot make this claim if you only visit one school for the day. For a nurse with a permanent position the abnormal workplace claim would cover travelling to other hospitals for meetings, attending courses, etc. even if they spent the whole day there. In other words the travel was merely home to work travel but because they have a normal workplace and this travel is to an abnormal workplace they are entitled to claim home to work travel. If you regularly travel to one workplace on Monday and Tuesdays and another the rest of the week both these places would be considered your normal workplace so no abnormal workplace claim is available for either place.

Home a Based of Operations – In case W4 a semi retired University Lecturer was allowed a claim for home to work travel because he did not have an office at the University where he could prepare his Lectures so his home was the base where most of his work was performed. This case is very narrowly interpreted by the ATO.

Bulky Equipment – In case S29 it was accepted by the court that equipment weighting more than 20kg was considered bulky. If there is no safe storage at work you may be able to claim a deduction for taking your equipment to and from work. Relief teachers may be able to have a field day with this one. Safe storage means somewhere you can lock up your belongings that other people do not have a key to. It is not sufficient that you take the equipment home for your own convenience it must be out of necessity. Bulky equipment does not have to be heavy it can just be impossible to transport on public transport, for example a ladder or drum kit.

Transporting Students, Patients etc – Whenever you are transporting students in relation to your work the trip is tax deductible including the leg between their home and yours. This is the case even if you are transporting them to your normal place of work. TR 95/14 gives an example of a coach picking up players on his way to his normal school for a Saturday football match. He is entitled to claim the whole trip from when he leaves home to pick up the students

Work Related Tasks on the Way to or From Work - MT 2027 states that the task cannot be insignificant such as dropping off the mail at the post office. Though if you drop off the mail on the way home you can claim for the distance off the track this takes you. Also refer TD 96/42 and TD 96/43 available on the ATO web site. If you perform a significant work related task on the way home you can claim the whole trip. For example stopping at another office to do some work or have a meeting on the way to work will make the whole trip deductible.

Casuals - In FC of T v Genys (1987) 17 FCR 495; 87 ATC 4875; (1987) 19 ATR 356 an agency nurse was not permitted to claim the cost of attending a different hospital each day because it was merely home to work travel. She only went to one hospital each day and as she had no normal workplace she could not claim travel to an abnormal workplace. Casuals can claim their travel to and from work if they attend more than one work site during a day without returning home.

If you have salary packaged the car you use for deductible purposes you cannot claim a deduction for these trips in your income tax return because you are not the owner of the vehicle.

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