

Motor Vehicle Expenses

Most of you will be claiming your work vehicles already and obtaining your maximum deductions by following the rules. However, people either forget to claim the family car for eligible travel or have failed to keep some simple records and they lose a valuable deduction, (remember last month's article on record keeping and self assessment).

You can maximise your deductions by knowing the system and following the rules. Let's look at the system.

Exempt vehicles

If your vehicle is an exempt vehicle you have to maintain the records to back up your expenses for the cost of the vehicle and its running costs. Exempt vehicles are generally utilities and vans either with a seating capacity of less than 3 passengers or a carrying capacity in excess of one tonne, or both, talk to a tax accountant for full details. To be exempt the vehicles are not to be used for private purposes, eg fishing trips, hobby farm, and social travel.

Other Vehicles - Four methods

1. Set rate per kilometre
2. 12% of cost of the vehicle
3. 1/3 of running costs
4. Log book method – business %

To use methods 2, 3 or 4 the vehicle must have travelled 5,000 kilometres on work or business related matters. Method 1 can be used for low kilometre usage, or, if it gives the best deduction compared to the other methods.

Method 1 is often the best for claims related to the family car. For example you should record trips to your accountant, bank, post or deliveries or if you use this vehicle to do your quoting. It is recommended that you maintain a logbook of this travel but detailed diary entries will be acceptable.

Good records are required in case of an audit and the Tax Office has some useful publications on this area of tax to assist you, if you want DIY tax advice. I recommend you see a good tax accountant, like me, and not some "fella at the bar".

Be happy, healthy and productive.

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