

D1 - Work-related car expenses 2013

For information about what expenses you claim as car expenses (item **D1**) and what expenses you claim as travel expenses (item **D2**), and some examples of trips you can and cannot claim, see [Car and travel expenses](#).

This question is about work-related expenses you incurred as an employee for a car you:

- owned (even if it is not registered in your name)
- leased (even if it is not registered in your name), or
- hired under a hire-purchase agreement.

Answering this question

You may need:

- written evidence for your car expenses (receipts, invoices or diary entries)
- your car logbook and odometer records.

You can choose one of four methods to work out your car expenses. If you qualify to use more than one method, you can use whichever gives you the largest deduction or is most convenient. These methods are:

- cents per kilometre
- 12% of original value
- one-third of actual expenses
- logbook.

They are summarised below.

You must have the necessary evidence for the method you choose.

Each method requires you to know or estimate your business kilometres. Business kilometres are the kilometres you travelled in the car in the course of earning assessable income (includes work-related activities). For some examples of trips you can and cannot claim, see [Car and travel expenses](#).

We also have online calculators to assist you: go to ato.gov.au/calculators

If you received assessable income from your work as an employee outside Australia that is shown on a *PAYG payment summary - foreign employment*, you must claim any work-related car expenses you incurred in earning that income at this item.

If you received assessable foreign employment income that is not shown on a *PAYG payment summary - foreign employment* you must claim your deductions against that income at item [20 Foreign source income and foreign assets or property](#).

Deductions for decline in value (depreciation)

You can claim a deduction for the decline in value of the car only if you owned it or hired it under a hire-purchase agreement and you must use either the 'one-third of actual expenses' or the 'logbook' method.

If you leased a luxury car, see [Special circumstances and glossary](#) for more information.

Remember:

- The car starts to decline in value from the day you first use it, even if you don't begin using

it for work until a later time.

- You can claim a deduction only for a year in which you used the car for work.
- If you used the 'logbook' method and owned your car for only part of the year, you will need to apportion your deduction accordingly.

If you are claiming a deduction for the decline in value of a car, see the [Guide to depreciating assets 2013](#) (NAT 1996).

Was your car sold, disposed of, stolen or destroyed?

If you have been claiming deductions for your car and, during the income year, you sold or disposed of it, or it was stolen or destroyed, you might need to make a balancing adjustment. You do not need to make a balancing adjustment if you used only the 'cents per kilometre' or '12% of original value' method for calculating expenses for your car.

The publication *Guide to depreciating assets 2013* explains how to work out the amount of the balancing adjustment.

If you had a loss after making the adjustment, include your deduction for it at item **D5**. If you had a profit after making your adjustment, include it at item **24** on your tax return (supplementary section).

You also make a balancing adjustment if you:

- switched between the 'one-third of actual expenses' method and the 'logbook' method, or
- switched between the 'one-third of actual expenses' or 'logbook' method and the 'cents per kilometre' or '12% of original value' method.

To work out the amount of the balancing adjustment in these situations, contact us or your recognised tax adviser.

Completing your tax return

If you have more than one car and you are claiming expenses under different methods, add the amounts you work out under each method and write the total at item **D1** on your tax return. Print the code letter for the method that gave you the largest amount in the **CLAIM TYPE** box beside the amount.

Method 1: Cents per kilometre

- Your claim is based on a set rate for each business kilometre.
- You can claim a maximum of 5,000 business kilometres per car, per year.
- You do not need written evidence, but you need to be able to show how you worked out your business kilometres. There is more information on record keeping and written evidence in [Keeping your tax records](#).

Step 1

Multiply the total business kilometres travelled (maximum of 5,000 km per car) by the number of cents allowed for your car's engine capacity (see below).

Rates per business kilometre

Engine capacity

Cents per kilometre

Ordinary engine**Rotary engine**

1.6 litre (1,600cc) or less 0.8 litre (800cc) or less 63 cents

1.601-2.6 litre (1,601-2,600cc) 0.801-1.3 litre (801-1,300cc) 74 cents

2.601 litre (2,601cc) and over 1.301 litre (1,301cc) and over 75 cents

Step 2

Divide your answer by 100 to work out the dollar amount you can claim.

Step 3

If you are claiming for more than one car using this method, repeat the steps above and add up all the amounts.

Step 4

Write the total at **A** item **D1**. Print the code letter **S** in the **CLAIM TYPE** box beside the amount.

Example

Joanne had a 2-litre ordinary engine car which she used to travel 300 km in performing her job during 2012-13. She claims a deduction of \$222.

Method 2: 12% of original value

- For you to use this method, your car must have travelled more than 5,000 business kilometres in the income year (or, if you used the car for only part of the year it would have travelled more than 5,000 business kilometres had you used it for the whole year, see step 1 below).
- Your claim is based on 12% of the original cost of your car, or 12% of its market value at the time you first leased it.
- The maximum deduction you can claim is 12% of the luxury car limit for the year you first used or leased the car; see [Special circumstances and glossary](#) for luxury car limits for the last 10 years.
- You do not need written evidence, but you need to keep a record of how you worked out your kilometres.

Step 1

If you owned or leased your car for the whole year, go to [step 2](#).

If you owned or leased the car for part of the year, you will need to work out whether you can use this method. Firstly, work out the number of business kilometres travelled and multiply that number by 365. Then divide this amount by the number of days you had the car during the year. If your answer is more than 5,000 km you can use this method.

Step 2

Multiply the cost of the car or luxury car limit, whichever is less, by 0.12.

Step 3

Go to [step 5](#) if you owned or leased the car for the whole year.

Step 4

If you had the car for part of the year, multiply the amount you worked out at step 2 by the number of days you had the car. Then divide by 365.

Step 5

Write the total at **A** item **D1**. Print the code letter **T** in the **CLAIM TYPE** box beside the amount.

Method 3: One-third of actual expenses

- Your car must have travelled more than 5,000 business kilometres in the income year (or, if you used the car for only part of the year it would have travelled more than 5,000 business kilometres had you used it for the whole year, see [step 1](#) below).
- You claim one-third of all your car expenses, including private costs (but excluding capital costs, such as the purchase price, the principal on any money borrowed to buy your car and the cost of any improvements).
- For fuel and oil costs, you can keep receipts to work out the amounts or you can estimate them based on odometer records that show readings from the start and the end of the period you had the car during the year.
- You need written evidence for all the other expenses for the car as well as records that show the car's engine capacity, make, model and registration number.

You may need to show how you worked out your business kilometres and any estimates you made.

Step 1

If you owned or leased your car for the whole year, go to [step 2](#).

If you owned or leased the car for part of the year, you will need to work out whether you can use this method. Firstly, work out the number of kilometres travelled and multiply that number by 365. Then divide this amount by the number of days you had the car during the year. If your answer is more than 5,000 km you can use this method.

Step 2

Add up your total expenses for fuel and oil, registration, insurance, loan interest, repairs and maintenance, the decline in value or lease payments and any other costs of running your car. Work out the amount to show here for [decline in value](#).

Step 3

Divide the total expenses by 3.

Step 4

Write the amount at **A** item **D1**. Print the code letter **O** in the **CLAIM TYPE** box beside the amount.

Method 4: Logbook

- Your claim is based on the business use percentage of the expenses for the car.
- Expenses include running costs and decline in value but not capital costs, such as the purchase price of your car, the principal on any money borrowed to buy it and any improvement costs. If you need to work out the decline in value of your car, see [Deductions for decline in value \(depreciation\)](#).
- To work out your business use percentage, you need a logbook and the odometer readings for the logbook period (see below).
- You can claim fuel and oil costs based on either your actual receipts or you can estimate the expenses based on odometer records that show readings from the start and the end of the period you had the car during the year.
- You need written evidence for all other expenses for the car.

Your business use percentage is the percentage of kilometres you travelled in the car for work during the year divided by the total kilometres travelled by the car during the year.

If the pattern of your car use changed during the year, make a reasonable estimate of your business use percentage for the whole of 2012-13, taking into account your logbook, odometer and other records, any variations in the pattern of use of your car and any changes in the number of cars you used in the course of earning your income.

Logbook period

Your logbook is valid for five years. If this is the first year you are using this method, you must have kept a logbook during 2012-13. It must cover at least 12 continuous weeks. If you started using your car for work-related purposes less than 12 weeks before the end of the year, you can extend the 12-week period into 2013-14. (If you are using the logbook method for two or more cars, the logbook for each car must cover the same period.)

If you established your business use percentage using a logbook from an earlier year, you need to keep that logbook and maintain odometer records. You also need to keep a logbook if we told you in writing to keep one.

Your logbook must show:

- when the logbook period starts and ends, and the odometer readings at these times
- the total number of kilometres the car travelled during the logbook period
- the number of kilometres travelled for work during the logbook period based on the journeys recorded for the period
- the business use percentage for the period.

Entries in the logbook for each business trip must be made at the end of the journey (or as soon as possible afterwards) and show the:

- date the journey began and ended
- odometer readings at the start and end of the journey
- kilometres travelled on the journey
- reason for the journey.

Your records must also show the make, model, engine capacity and registration number of the car.

Step 1

Work out the total kilometres travelled during the logbook period and how many of these were business kilometres. Divide the business kilometres by the total kilometres travelled. This is your business use percentage.

Step 2

Add up your total expenses. (See [Deductions for decline in value \(depreciation\)](#) to work out the amount to include for decline in value.)

Step 3

Multiply the amount at step 2 by your business use percentage from step 1 (or if the pattern of use of the car has changed then use the reasonable estimate you made).

Step 4

Write the amount at A item **D1**. Print the code letter **B** in the **CLAIM TYPE** box beside the amount.



Find out more

- [Taxation Ruling TR 95/34](#) - *Income tax: employees carrying out itinerant work - deductions, allowances and reimbursements for transport expenses*
- [Deduction for transport between workplaces](#)
- [Guide to depreciating assets 2013](#) (NAT 1996) for decline in value of a car
- [Law Administration Practice Statement PS LA 1999/2](#) - *Calculating car expense deductions where the car is jointly owned, jointly leased or jointly hired under a hire purchase agreement (but is not owned, leased or hired by a partnership).*