
Work related car expenses

Per Div 28 of ITAA97, there are four methods of claiming work related car expenses.

Method 1 – Cents per kilometre method

- you do not need written evidence but you may need to be able to show how you worked out your business kilometres
- your claim is based on a set rate for each business kilometre, and
- you are able to claim a maximum of 5,000 business kilometres even if you have travelled more.

Method 2 – 12 % of original value method

If you bought the car, you can claim 12 % of the cost of the car. If you leased the car, you can claim 12 % of its market value at the time that you first leased it. You do not need written evidence if you use this method, but you may need to be able to show how you worked out your business kilometres.

- Your car must have (or would have if you had it for the whole financial year) traveled more than 5,000 business kilometres during the financial year.
- The maximum allowable deduction is 12 % of the luxury car limit in the year in which you first used or leased the car.

Method 3 – One-third of actual expenses method

- Your car must have (or would have if you had it for the whole financial year) traveled more than 5,000 business kilometres during the financial year.
- You need written evidence for all car expenses except for fuel and oil costs.
- Car expenses do not include capital costs, such as the initial cost of your car or improvements to your car.

Odometer records need to show the odometer reading of the car at the start and end of the period that you owned or leased the car. They should also show the car's engine capacity, make, model and registration number.

Method 4 – Logbook method

If you use this method your claim is based on the business use percentage of each car expense.

You need to keep:

- a logbook to calculate the business use percentage
- odometer readings for the start and end of the period you owned or leased the car, and
- written evidence for all car expenses, except for fuel and oil costs.

Your logbook is valid for five years. You must have kept a logbook during the first year this method is used. The logbook must cover at least 12 continuous weeks.

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