

## CLAIMING AN INCOME TAX DEDUCTION FOR CAR EXPENSES USING THE 'LOG BOOK' METHOD

This method of claiming a taxation deduction for motor vehicle expenses identifies the percentage of the vehicles use for business/work and private travel.

The log book – the log book is filled out and details all business/work travel kilometres for a period.

The opening and closing kilometre reading on the vehicle is also noted for the period.

The number of business kilometres travelled is then divided by the total kilometres travelled for the period and the resultant percentage is the percentage of the actual motor vehicle costs that can be claimed as a taxation deduction.

Example –

|   |               |
|---|---------------|
| Total kilometres travelled for log book period  | 5,000         |
| Business kilometres detailed in log book  | 4,156         |
| Percentage of business use of vehicle   | 83%           |
|   | \$            |
| Actual costs of operating vehicle for year (fuel, reg'n insurance, repairs, RACV, Citylink) | 5,860         |
| Interest on loan to buy vehicle   | 1,250         |
| Depreciation of original cost of vehicle for year   | <u>7,140</u>  |
| Total costs   | <u>14,250</u> |
| Amount allowed to claim in Income Tax Return $\$14,250 \times 83\%$                         | \$11,827      |

This method can be used regardless of the number of kilometres you travel for work each year.

A log book gives a representative business use percentage for the vehicle.

The log book should therefore be maintained during a period which represents normal business use.

The log book must be maintained for a continuous period of at least twelve weeks.

If you started to use the vehicle for business purposes less than twelve weeks before the end of a financial year, you are able to continue to keep a log book into the next financial year so that your log book covers the required twelve weeks.

Once a log book has been maintained it can be used for up to five year's income tax returns, provided the business use percentage does not change by more than ten percent during the five year period.

### **What to record in your log book**

During the log book period you need to make the following entries after each journey is completed:

- The date the journey began and ended
- The car's odometer readings at the start and end of the journey
- How many kilometres the car travelled on the journey
- The purpose of the journey/where you went to

We suggest that you only record business related travel.

In most cases, a journey from home to a place of work or business is regarded as a private journey and will not be recorded unless your place of work or business is operated from home.

### **Record keeping**

You should provide us with a copy of your log book in the year in which it was maintained.

You should also record the odometer reading of the vehicle at 30th June each year.

You should keep all invoices & receipts for all running costs for the vehicle for each year in which you want to make a tax deduction claim.