SEAN JOBLIN
ACCOUNTING SERVICES

Typically the cost of getting to work is not an allowable deduction and as such any associated car expenses should not be claimed in your tax return.
However, you can claim a deduction for driving between your home and workplace if you are carrying bulky tools that you can't leave at work.
You can also claim if you travel between two places of work.

If you can claim the use of your motor vehicle the following may be eligible deductions
Decline in Value, Fuel, Registration, Insurance, Repairs and Maintenance, Interest

Methods of Deducting your MV expenses - 2 most common

1/ The cents per kilometre method
Using this method does not require you to keep a log book, however your claim is limited to a maximum of 5,000 kms per car and the claim is based on engine size.
You do not need written evidence but you need to be able to show how you worked out your business kms.

2/ The Log Book method
This is based on the business use percentage of car expenses for the year.
You will need to keep a log book for a minimum of 13 weeks and you will need written evidence for all car expenses you wish to claim.
You are not limited with the method so this is the preferred one used by those who regulary do more than 5000 'work' related kms per year such as sales reps.

Ways to Finance your Car Purchase

1/ Get a Loan
With a loan you have regular repayments and the car is owned by you, there is a loan between the lender (e.g the bank) and purchaser of the car -you.
You will have regular repayments and usually the loan is secured against the car.
You as owner can depreciate its decline in value and claim the interest repayments.

2/ Chattel Mortgage - note a 'chattel' is property other than land
You take ownerhsip at time of purchase - ie a finance company advances you funds and you purchase the vehicle, there is a mortgage as security over the car.
Once the contract is completed the mortgage is removed, the title clears to the owner.
GST is charged on purchase price so an eligible business can clawback the full GST on their next BAS, but none on the repayments or residual.
Again, Interest and Depreciation are deductible over life / repayments

3/ Commercial Hire Purchase agreement
A finance company buys the vehicle and gives you custody of the car along with a contracted payment plan based on a price less the residual
nb: if you eventually own the car it may be worth less due to depreciation overtime.

4/ Novated Lease - Novation means 'replacement of obligation'.
A three way agreement between the employee, the employer and a finance company.
You enter into a finance lease with financier and your employer agrees to take the obligation
Your employer pays a monthly amount on your behalf and provides you with the car to use
ie the original lease is 'novated' to the employer

This method of finance attracts FBT as it is a way for the employer to provide a car for private use to an employee as part of thier package
FBT may be taken care of via the reduction in pre-tax salary and one usually submits an estimate of what your FBT / travel kms will be - you can get caught out if these are different.
All equity built up or lost in vehicle overtime is the employee's not the employer's and the employer does not get left with the lease or car if you leave.

<u>EMPLOYEE</u>
- no income tax effects (not assessed on payments)
- no entitlement to deduct car payments
- no entitlement to depreciation
- reportable FBT
- may have to package the FBT into the salary sacrifice amount

<u>EMPLOYER</u>
- has obligations to make lease payments
- entitled to deduction for lease payments
- luxury car limit applies
- FBT is payable