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Motor vehicle and car expenses

Deductions for work-related use of your car or another motor vehicle

Expenses for a car you own or lease

Deductions for work-related car expenses you incur for the use of your own car.

Expenses for a vehicle that isn't yours or isn't a car

Deductions for work-related use of a vehicle that either does not belong to you or is not a car.

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QC 72123

Expenses for a car you own or lease

Deductions for work-related car expenses you incur for the use of your own car.

Last updated 4 May 2026

What are car expenses?

Car expenses are the costs you incur to own and operate a car, including its decline in value.

This includes:

- fuel and oil expenses
- repairs, servicing, maintenance and cleaning expenses
- registration
- insurance
- interest on a car loan
- lease payments
- decline in value of the car.

The following expenses aren't car expenses:

- the purchase price of the car
- principal repayments of a car loan
- modifications, alterations of improvements to the car
- parking and tolls.

Modifications, alterations and improvements can be added to the cost (as a second element cost) of the car for the purpose of calculating it's decline in value.

Claiming a deduction for car expenses

To claim a deduction for car expenses:

- Your vehicle must meet the definition of a car.
- You must own or lease the car.
  - You do not own or lease the car if you use it under a salary sacrifice or novated lease arrangement.
- The expenses must be for work-related trips.

  - You can claim for trips between workplaces or to perform your work duties.
  - You can't claim for trips between your home and place of work, except in limited circumstances.
- You must have spent the money yourself and weren't reimbursed.
- You must have the required records.

If it's someone else's car or it's another type of vehicle (such as a truck or motorcycle), see Expenses for a vehicle that isn't yours or isn't a car.

If your travel is partly private, you can only claim a deduction for the work-related portion of your expenses.

You claim the tax deduction in your income tax return as a **work-related car expense**.

If you receive an allowance from your employer for car expenses, you must include it as assessable income in your tax return. The allowance amount is shown on your income statement or payment summary.

For a summary of this information in PDF format, see Car expenses (PDF, 322KB).

Definition of a car

To claim a work-related car expense, the vehicle must be a car.

A car is a motor vehicle that carries a load of less than one tonne and fewer than 9 passengers (including the driver). This includes electric (zero emissions) vehicles (EVs), plug-in hybrid vehicles (PHEVs) and hybrid vehicles if they meet this definition.

Motorcycles and similar vehicles are not cars.

If your vehicle is a car and you use it for work-related purposes, you must calculate your deduction using one of the 2 methods below.

If your vehicle doesn't meet this definition, see Expenses for a vehicle that isn't yours or isn't a car.

You must own or lease the car

To claim car expenses you must own, lease (from a finance company) or hire the car (under a hire-purchase arrangement with the dealership).

If you use a car owned by a family member, and you can show there is a private arrangement that made you the owner or lessee of the car (even if you aren't the registered owner or lessee), you work out your car expenses as though it is your car.

A car you use under a salary sacrifice or novated lease arrangement is usually leased by your employer from a financing company, and your employer typically pays for the running costs and claims deductions. You **can't claim** running costs for such a car because you don't own or lease it but you can claim additional expenses, like parking and tolls associated with your work use of the car.

If you don't own or lease the car (or don't have a private arrangement that makes you the owner or lessee), see Expenses for a vehicle that isn't yours or isn't a car.

Example: private arrangement

When Rory turned 18, she bought a car from her parents for $1,000. She now pays the insurance, fuel, registration and other running costs, and no one else uses the car. However, the registration hasn't been updated and the car is still registered in her mother's name.

Rory is eligible to claim her work-related car expenses even though the registration hasn't been changed to her name. She would be treated as the owner because she can show that:

- she bought the car from her parents
- she is now responsible for all ownership and running costs of the car.

Calculating your car expense deductions

To work out your deduction for car expenses, you can use either the:

- Cents per kilometre method
- Logbook method

You can also use the calculator to work out your deduction for either method.

Work-related car expenses calculator

If you're claiming car expenses for more than one car, you can use a different method for each car. You can also change the method you use in different income years for the same car.

Cents per kilometre method

How to calculate a deduction for car expenses using the cents per kilometre method and the records you need to keep.

Logbook method

How to calculate a deduction for car expenses using the logbook method and the records you need to keep.

QC 72124

Cents per kilometre method

How to calculate a deduction for car expenses using the cents per kilometre method and the records you need to keep.

Published 4 May 2026

How it works

The cents per kilometre method allows you to claim a set rate for each work-related kilometre you travel, as long as you meet the conditions.

Using this method, you:

- can claim a maximum of 5,000 km for work-related use per year

- don't need receipts for your expenses (e.g. fuel receipts)
- do need a record to show how you calculate your work-related kilometres (e.g. using a diary or the myDeductions tool in the ATO app)
- need to be able to show that you own the car.

The rate per km covers all of your car expenses including decline in value, registration and insurance, maintenance, repairs and fuel costs.

You can't add these, or any other car expenses, on top of the rate when calculating your deduction.

Calculating your deduction

To calculate your deduction using this method, multiply the number of work-related kilometres you travel in the car by the rate per kilometre for that income year.

You can claim a maximum of 5,000 work-related kilometres per car.

'Work-related kilometres' are the kilometres your car travels in the course of earning your assessable income. For more information on what travel is incurred in the course of earning your assessable employment income, see Trips you can and can't claim.

You can work out the number of work-related kilometres the car travelled during the income year by making a reasonable estimate. For example, if you make a 20 kilometre work-related round trips in your car once a week and you worked for 48 weeks in the year, your work-related kilometres will be 960 (20 kilometres × 48 weeks).

Use the rate for the income year for which you are claiming a deduction:

- 2024–25 and 2025–26: use 88 cents per kilometre
- 2023–24: use 85 cents per kilometre
- 2022–23: use 78 cents per kilometre
- 2020–21 and 2021–22: use 72 cents per kilometre
- for rates in earlier years, see Prior year tax return forms and schedules.

You need to keep records that show how you work out your work-related kilometres.

If you and another joint owner use the car for separate income-producing purposes, you can each claim up to 5,000 work-related kilometres.

Keeping records for cents per kilometre method

If you use the cents per kilometre method, you don't need receipts.

You do need to be able to show that you own the car and how you work out your work-related kilometres. For example, you could record your work-related trips:

- in a diary
- using the myDeductions tool in the ATO app.

Example: car deduction using cents per kilometre

Once per week, Johan makes a 27-kilometre round trip in his own car from his head office in the city to meet with clients. In addition, once per month he makes a 106-kilometre round trip to visit clients at another location.

When Johan consults his diary at the end of the 2025–26 income year, he works out he was at work for 47 weeks, but he missed one weekly meeting with clients as he was sick. He also determines that, although he was on leave for 5 weeks during the income year, he still made 12 × 106-kilometre round trips to visit clients.

He works out his work-related kilometres as:

Number of weekly trips **multiplied by** distance of weekly trip **equals** total weekly trip kilometres

46 × 27 km = 1,242 km

Number of monthly trips **multiplied by** distance of monthly trip **equals** total monthly trip kilometres

12 × 106 km = 1,272 km

Total weekly trip kilometres **plus** total monthly trip kilometres **equals** total trip kilometres

1,242 km + 1,272 km = 2,514 km

Johan works out his deduction for the 2025–26 income year as:

2,514 km × 0.88 = $2,212

QC 107246

Logbook method

How to calculate a deduction for car expenses using the logbook method and the records you need to keep.

Last updated 12 June 2026

How it works

The logbook method allows you to claim the work-related portion of your actual car expenses.

Expenses you can claim include running costs such as fuel, electricity, servicing, registration, insurance and the decline in value, as long as you use the car in the course of earning your assessable employment income.

To calculate your deduction using the logbook method, you need to:

- keep a logbook that shows your work-related trips for a continuous period of at least 12 weeks and your odometer records
- keep receipts or other records of your car expenses

- use your logbook to calculate the deductible portion of your car expenses.

Keeping a logbook

Your logbook must:

- cover at least 12 continuous weeks and be broadly representative of your travel
- include the reason and purpose, as well as the destination of every work-related journey, the odometer reading at the start and end of each journey, and the total kilometres travelled on the journey
- include odometer readings for the start and end of the logbook period and the total kilometres travelled during that period.

Each journey in your logbook must be made at the end of the journey or as soon as possible afterwards.

Your logbook is valid for 5 years. However, if your circumstances change (for example, if you change jobs or move to a new house), and the logbook is no longer representative of your work-related use, you will need to complete a new 12 week logbook.

In each of the 4 years following the first year, you need to keep:

- odometer readings for the start and end of the full period you owned the car during the income year
- your work-related kilometres and use percentage for the income year based on the logbook.

If you are using the logbook method for 2 or more cars, keep a logbook for each car and make sure they cover the same period.

You can keep an electronic logbook using the myDeductions tool in the ATO app, or keep a paper logbook.

You must retain your logbook and odometer records for 5 years after the end of the latest income year that you rely on them to support your claim.

If you don't have a valid logbook, you can't use the logbook method to claim car expenses. You may be able to use the cents per kilometre method instead.

Keeping records of car expenses

In addition to keeping a valid logbook, you must keep the following records:

- receipts for your fuel and oil expenses, or a record of your reasonable estimate of these expenses based on the odometer readings for the start and end of the period you owned the car, the fuel consumption for your car and the average price of fuel during the income year
- receipts for other expenses for your car – for example, registration, insurance, lease payments, services, tyres, repairs, electricity expenses and interest charges
- a record of the purchase price of the car and how you work out your claim for the decline in value of your car, including the effective life and method you use.

Electric cars – records of electricity expenses

If your car is electric, instead of keeping receipts for fuel and oil, you must keep:

- receipts for electricity from commercial charging stations
- evidence that shows you incur electricity costs to charge your car at home, such as an electricity bill and how you calculated the direct cost of charging your car.

Hybrid cars – records of fuel and electricity expenses

If your car is a hybrid, you must keep all the following:

- receipts for your fuel and oil
- receipts for commercial charging stations
- evidence that shows you incur electricity costs to charge your car at home, such as an electricity bill and how you calculated the direct cost of charging your car.

Calculating your deduction

To calculate your deduction using the logbook method, follow these steps:

Step 1 – Work out the total number of kilometres you travelled during the logbook period.

Step 2 – Work out the number of kilometres you travelled for allowable work-related trips during the logbook period.

Step 3 – Divide the work-related kilometres (step 2) by the total kilometres (step 1), then multiply by 100. This is your work-related use percentage.

Step 4 – Add up your total expenses for the period that you are claiming.

Step 5 – Multiply your work-related use percentage (step 3) by your car expenses (step 4). This is the amount you claim as a deduction.

'Work-related kilometres' are the kilometres your car travels in the course of earning your assessable employment income. For more information on what travel is incurred in the course of earning your assessable employment income, see Trips you can and can't claim.

Calculating electricity costs for your electric vehicle

If your car is an electric (zero emissions) vehicle (EV), you can calculate your electricity costs either by:

- calculating the actual amount you spent on charging your car at commercial charging stations or at home
- by multiplying the EV home charging rate for the relevant income year by the total number of kilometres travelled during the income year based on odometer records.

The EV home charging rate for the 2022–23 to 2025–26 income years is 4.2 cents per kilometre.

For more information, see paragraph 16 of Practical Compliance Guideline PCG 2024/2 *Electric vehicle home charging rate – calculating electricity costs when a vehicle is charged at an employee's or individual's home.*

Calculating fuel and electricity costs for your plug-in hybrid vehicle

If your car is a plug-in hybrid electric vehicle (PHEV), for the 2024–25 income year onwards, you can work out your fuel and electricity expenses either by:

- calculating the actual amount you spent on fuel and charging your car at commercial charging stations or at home
- using methodology set out at paragraphs 17 to 27 of PCG 2024/2, which allows you to use the EV home charging rate.

For the 2023–24 income year and earlier income years, you can only claim the actual amount you incurred on fuel and charging your EV at commercial charging stations or at home.

If you use the home charging rate in PCG 2024/2 to calculate your electricity costs for the income year, unless your EV or PHEV has the functionality to report the percentage of the car's total charge based on the charging location, you can't add the cost of any commercial charging stations to this amount. These amounts must be disregarded.

Example: home charging percentage can be accurately determined

Bill owns an electric car which he uses for work purposes. Bill charges his electric car at home and at commercial charging stations.

For the 2025–26 income year, Bill has:

- a valid logbook
- the odometer reading for his car at the start and the end of the income year
- an electricity bill for his home showing he incurred electricity expenses
- receipts for his commercial charging station expenses which total $172.

Bill's car generates a report detailing the annual percentage of total charge that relates to home charging. The report shows that Bill charges his electric vehicle 75% at home during the 2025–26 income year.

Bill travelled a total of 10,000 km in the 2025–26 income year. His home charging kilometres are determined by applying the home charging percentage to the total kilometres travelled.

Bill calculates his home charging kilometres as:

Total kilometres **multiplied by** home charging percentage **equals** home charging kilometres

> 10,000 km × 75% = 7,500 km

To calculate his total home charging expenses, Bill multiplies the home charging kilometres by the EV home charging rate:

> 7,500 km × 4.2c/km = $315

Bill calculates his total charging expenses as:

Home charging expenses **plus** commercial charging expenses **equals** total charging expenses

> $315 + $172 = $487

To calculate his deduction for charging his car during the 2025–26 income year, Bill will multiply his total charging expenses ($487) by his work-related use percentage from his logbook.

Working out the decline in value of a car

Cars are depreciating assets so a deduction for their decline in value can be claimed as a car expense if you are using the logbook method.

However, there is a limit on the cost of the car that you can claim as decline in value deductions over the car's effective life. This is referred to as the car limit.

If the cost of the car you purchase exceeds the car limit in the year you buy it, its cost for decline in value purposes will be the car limit. The limit is applied to the cost of the car, not your ownership interest in the car. This means if you purchase a car exceeding the car limit with another person jointly, you will use half of the cost limit for the purpose of calculating your decline in value deduction.

The Commissioner's determination of the effective life of a car is generally 8 years.

Example: working out the decline in value of a car (diminishing value method)

On 3 July 2025, Lana buys a 5-seater car for $75,000 which she uses for work purposes during the 2025–26 income year.

As Lana bought the car in the 2025–26 income year, when working out the car's decline in value for that income year, the cost of the car is reduced to $69,674 (the car limit for 2025–26).

Lana uses the Commissioner's determination of the effective life and works out her decline in value using the diminishing value method in the following way:

Car cost (car limit): $69,674

Effective life of the car: 8 years

Diminishing value formula: Cost × (days held ÷ 365) × (200% ÷ asset’s effective life)

$69,674 × (362 ÷ 365) × (200% ÷ 8) = $17,275.33

Based on her logbook Lana works out her work-related use percentage as 69%. This means she can claim $17,275.33 × 69% = $11,919.98 as a deduction for the decline in value of the car in her 2025–26 tax return.

Lana can also claim 69% of her fuel, insurance, tyres, repairs and other expenses for the car.

Example: working out the decline in value of a car (prime cost method)

Vlad buys an electric car on 1 July 2025 and uses to carry out his duties as an employee.

Based on his valid logbook, Vlad works out he uses his car 11% of the time for work purposes, that his work-related use percentage is 11%. The car cost $30,000.

Vlad works out his decline in value deduction using the prime cost method as follows:

Asset cost × (days held ÷ 365) × (100% ÷ asset's effective life)

$30,000 × (365 ÷ 365) × (100% ÷ 8) = $3,750

As Vlad's work-use percentage based on his logbook is 11%, he can claim a deduction of $413 ($3,750 × 11%) for the decline in value of his car in the 2025–26 income year.

You can't claim a deduction for the decline in value of your car if you use the cents per kilometre method.

QC 107247

Expenses for a vehicle that isn't yours or isn't a car

Deductions for work-related use of a vehicle that either does not belong to you or is not a car.

Last updated 8 June 2026

Claiming a deduction for vehicle expenses

You can claim a deduction for work-related expenses for a vehicle that either:

- does not belong to you (is someone else's car)
- is not a car (such as a truck or motorcycle, whether it belongs to you or someone else).

A tax deduction for these expenses is claimed as a **work-related travel expense**, rather than a work-related car expense.

To claim a deduction:

- The expenses must be for work-related trips.
  - You can claim for trips between workplaces or to perform your work duties.

  - You can't claim for trips between your home and place of work, except in limited circumstances.
- You must have spent the money yourself and weren't reimbursed.
- You must have a record of your expenses.

If your travel is partly private, you can only claim a deduction for the work-related portion of the expenses you incur.

If the vehicle is a car and belongs to you, you calculate and claim your deduction in a different way. See Expenses for a car you own or lease.

If you receive an allowance from your employer for vehicle expenses, you must include it as assessable income in your tax return. The allowance amount is shown on your income statement or payment summary.

Someone else's vehicle

This means a vehicle owned by your employer or anyone other than you.

You can't claim running costs for a car you use under a salary sacrifice or novated lease arrangement. In this situation the car is usually leased by your employer from a financing company, and your employer typically pays for the running costs and claims deductions. You can claim additional expenses, like parking and tolls associated with your work use of the car.

If you use a car owned by a family member, and you can show there is a private arrangement that made you the owner or lessee of the car (even if you aren't the registered owner), you work out your car expenses as though it is your car.

A vehicle that isn't a car

Vehicles that are not cars include motorcycles, scooters and similar vehicles, and vehicles with:

- one tonne or greater carrying capacity such as trucks, heavy vehicles and some utes
- a carrying capacity of 9 or more passengers (including the driver), such as a minibus.

Calculate deduction for vehicle expenses

To claim a deduction for a vehicle that isn't yours or isn't a car, you:

- work out your actual expenses for your work-related travel in the vehicle
- claim the deduction in your tax return as a work-related **travel** expense (not as a work-related car expense).

You can't use the cents per kilometre method or the logbook method to work out your claim. However, as you can only claim a deduction for the expenses related to your work-related travel, you may wish to keep a document similar to a logbook to calculate your work-related use percentage. While it is not a requirement, it is the easiest way to show how you calculated the expenses related to your work-related travel.

Keeping records of vehicle expenses

You must keep:

- evidence of how you calculated your work-related use of the vehicle
- original receipts for all of your vehicle expenses
- details of how you work out your claim for the decline in value of the vehicle, including the effective life and method you use.

If your vehicle is electric or a plug-in hybrid electric vehicle (PHEV), and you're relying on the home charging rate outlined in Practical Compliance Guideline PCG 2024/2 *Electric vehicle home charging rate – calculating electricity costs when a vehicle is charged at an employee's or individual's home*, you'll also need to keep an electricity bill for your residential premises showing you incurred electricity costs.

PCG 2024/2 is only available for PHEVs from 1 July 2024 onwards.

You can use the myDeductions tool in the ATO app to keep your vehicle expense records.

Example: actual work-related expenses for a motorcycle

Ben buys a motorcycle that he uses for his work, making local deliveries. He also uses his motorcycle when he's not working. To help work out his work-related use he decides to keep a record, similar to a logbook, that shows his work-related and private trips.

Ben's logbook shows he travelled a total of 3,000 kilometres on his motorcycle for the whole income year. During the 12 week period he kept his record of trips, he travelled 800 kilometres in total, with 600 kilometres being work-related.

Ben calculates his work use percentage as 75% (600 ÷ 800).

Ben keeps receipts for all his expenses. His total expenses for the motorcycle for the income year were:

Fuel and oil	$560
Repair	$400
Registration	$540
Compulsory Third Party insurance	$300
Decline in value	$1,800
Total	**$3,600**

To work out his tax deduction, Ben multiplies his total expense by his work use percentage:

$3,600 × 75% = $2,700

QC 72125

Expenses for parking, tolls, accidents, licence and fines

Deductions for parking fees, tolls, accident damage, renewing your licence or paying a fine.

Last updated 8 June 2026

Parking fees and tolls

You can claim a deduction for parking fees and tolls you incur when you use your car or other vehicle for work-related purposes.

You can't claim a deduction for parking at or near a regular place of work. You also can't claim a deduction for tolls you incur for trips between your home and work. These are private expenses.

Example: parking on work-related trip

Karlyn is a trainee lawyer. She has to rush some legal documents to the court before it closes for the day. Karlyn drives from the office to the court. She parks directly in front of the court and pays a fee for parking, which her employer does not reimburse.

Karlyn can claim the cost of the car parking as a deduction because her trip from the office to the court is work-related.

Example: tolls and parking on trip from home to work

Carissa works in the city centre. There is no parking for employees in her building, so Carissa pays for car parking nearby.

When Carissa is running late for work she takes a quicker route and incurs a toll.

Carissa can't claim a deduction for the cost of:

- parking near her regular place of work
- the occasional tolls when driving between her home and her regular place of work.

Damage to a third-party motor vehicle

If you use your own motor vehicle in the course of your employment and you're involved in an accident that causes damage to another vehicle, you may be able to claim a deduction for:

- the costs you incur to repair your vehicle
- damages or compensation for the damage to the other vehicle if you are liable.

Generally, you 'incur' an expense when you either pay it or are liable to pay. For more information, see TR 97/7 *Income tax: section 8-1 – meaning of 'incurred' – timing of deductions*.

Drivers licence

You can't claim a deduction for the cost to get or renew your drivers licence, even if you must have it as a condition of employment. This is a private expense.

You can claim a deduction for additional costs you incur to get a special licence or condition on your licence to perform your work duties. For example, you can claim the cost you incur to get a heavy vehicle permit.

Example: special licence

Rhonda works on a sugar cane farm. She must operate heavy machinery to carry out her employment duties. To operate some of the machinery she needs a driver's licence and a heavy vehicle permit. Her driver's licence renewal costs her $45 per year and it costs $73 to apply for the heavy vehicle permit.

The $45 to renew her licence is not deductible because it is a private expense. The cost of the heavy vehicle permit ($73) is deductible as it is an additional expense she incurs that directly relates to her employment duties and is not a private expense.

Fines and penalties

You can't claim a deduction for any fines you get when you travel to work or during work. This includes parking and speeding fines or penalties.

Example: parking fine at work

Warren's employment duties often require him to drive from the office where he works to various building sites.

On a couple of occasions when Warren has been running late, he has parked in a loading zone and received a parking fine.

Warren can't claim a deduction for the parking fines. It doesn't matter that he is working at the time he is issued with the fine.

QC 72126

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We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

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