


TD 93/D294 - Income tax: can a taxpayer, who has claimed a deduction for car expenses using the log book method, use one of the alternative methods for substantiation if, under a review, the Commissioner has:- reduced the business percentage; - decided the log book is invalid; or - discovered no log book has been prepared at all?

 This cover sheet is provided for information only. It does not form part of *TD 93/D294 - Income tax: can a taxpayer, who has claimed a deduction for car expenses using the log book method, use one of the alternative methods for substantiation if, under a review, the Commissioner has:- reduced the business percentage; - decided the log book is invalid; or - discovered no log book has been prepared at all?*

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Draft Taxation Determination

Income tax: can a taxpayer, who has claimed a deduction for car expenses using the log book method, use one of the alternative methods for substantiation if, under a review, the Commissioner has:

- **reduced the business percentage;**
- **decided the log book is invalid; or**
- **discovered no log book has been prepared at all?**

1. Yes. A taxpayer is permitted to substantiate car expenses using the greatest amount available under the one-third of actual expenses; the 12% of cost; or, the set rate per kilometre methods, in cases where:

- the claim has been reduced to an amount below that to which the taxpayer would have been entitled, had he/she elected to use one of the alternative methods in the first place, and
- the taxpayer still complies with the statutory requirements of the respective subsections.

2. Subsection 82KY(2) allows the taxpayer to substantiate using the method that gives the greatest deduction from the three subsections; 82KX(1), 82KW(2) or 82KW(3). This occurs only if the Commissioner has reduced the claim below the amount to which the taxpayer would have been entitled, had the taxpayer elected to use one of those methods on his/her original return.

3. In these circumstances subsection 82KY(3) reduces the log book amount to nil.

Example 1:

Under a review of her assessment, a taxpayer's log book has been found to be fraudulent, as it has been backdated. Her claim using the log book method is reduced to nil. She has travelled more than 5000 business kilometres for the respective financial year. Therefore she is permitted to substantiate using the greater of one-third of actual expenses method or 12% depreciation method only. The claim to be allowed will be equal to the greater of these two methods, provided she has the documentary evidence required.

Example 2:

A taxpayer travels less than 5000 business kilometres in a log book year. Under a review of the taxpayer's assessment, the Commissioner reduces the business percentage calculated on that log book, which subsequently reduces the claim made by the taxpayer on his return. The amount allowed is now below that to which the taxpayer would have been entitled to, had he claimed one of the alternative methods. The taxpayer's claim using the log book method is reduced to nil. He is then permitted to claim the greatest amount available to him using one-third actual expenses, 12% depreciation method or set rate per kilometre method, provided he has the documentary evidence required for these methods.

Commissioner of Taxation

16/12/93

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Related Determinations:

Related Rulings:

Subject Ref: substantiation; car expenses; log books

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