


TD 93/D88 - Income tax: in complying with the substantiation provisions relating to a motor vehicle expense claim, how is the cost of fuel calculated when no documentary evidence is maintained?

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This document has been finalised by TD 93/104.

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

Draft Taxation Determination

Income tax: in complying with the substantiation provisions relating to a motor vehicle expense claim, how is the cost of fuel calculated when no documentary evidence is maintained?

1. To obtain a deduction for fuel expenses where no documentary evidence is available a taxpayer must maintain odometer records for the period of the claim to establish kilometres travelled (Section 82KUA of the *Income Tax Assessment Act 1936*).
2. To calculate the allowable deduction for fuel, the Commissioner will accept a reasonable estimate of the expense based on business kilometres travelled, average fuel costs and average fuel consumption.
3. Average fuel costs in most cases can be determined by reference to Australian Bureau of Statistics figures on average retail price of petrol in Australian capital cities, which are released quarterly. For taxpayers in remote/country areas, a different average fuel price would be accepted where independent verification is obtained. One acceptable method would be obtaining documentation from the area petrol distributor stating the average retail price of petrol for the relevant period.
4. The Department of Primary Industry & Energy "Australian Fuel Consumption Guide" is issued annually for new cars and can provide a basis for calculating average fuel consumption.

Example:

Taxpayer J, who drives a 1990 Holden Barina Automatic, claims motor vehicle expenses for the 1991-1992 income year. No documentary evidence of the expense was maintained. Taxpayer J kept odometer records for the period which, with reference to his log book, determined 8500 business kilometres travelled during the year. J's travel was primarily for journeys within the city limits of Sydney.

- (i) Reference to 1990 Fuel Consumption Guide for Holden Barina Automatic discloses 8 litres/100 km City Cycle.
- (ii) Average retail petrol price for Sydney for the year 1991-1992 from Bureau of Statistics is 68 cents per litre.

Estimated cost of fuel is calculated as follows:

$$8500/100 \times 8 \times 0.68 = \$462.40$$

A claim for fuel by Taxpayer J of approximately \$463 is considered reasonable.

FOI INDEX DETAIL: Reference No.

Related Determinations:

Related Rulings:

Subject Ref: car expenses; substantiation

Legislative Ref: ITAA 82KUA; ITAA 82KZ

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