PS LA 1999/2 - Calculating joint car expense deductions

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This Law Administration Practice Statement explains how car expense deductions are calculated if the car is jointly owned, leased or hired under a hire purchase agreement.

This practice statement is an internal ATO document, and is an instruction to ATO staff.

Taxpayers can rely on this practice statement to provide them with protection from interest and penalties in the following way. If a statement turns out to be incorrect and taxpayers underpay their tax as a result, they will not have to pay a penalty. Nor will they have to pay interest on the underpayment provided they reasonably relied on this practice statement in good faith. However, even if they don't have to pay a penalty or interest, taxpayers will have to pay the correct amount of tax provided the time limits under the law allow it.

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1. How should the taxpayer calculate the deduction?

They can use any one of the four calculation methods for income years before 1 July 2015:

- cents per kilometre
- 12% of the original value
- one third of actual expenses
- log book.

They can use one of the two calculation methods for income years from 1 July 2015:

- cents per kilometre
- log book.

Each taxpayer should use only one method in any one income year in relation to a specific vehicle. However, each of the joint owners can use a different method to calculate their deductions if they wish.

2. Method 1 – cents per km

Each joint owner or joint lessee can claim a maximum deduction of 5,000 kilometres for each income year. That limit applies to a particular taxpayer in relation to a particular car, not to the car itself; so, if each of the joint owners uses the car for separate income producing purposes, they can each claim up to 5,000 kilometres.

3. Method 2 – 12% of the original value

If the taxpayer travels more than 5,000 work-related kilometres in the car during in an income-producing period, they can use Method 2 to calculate their deduction.

Method 2 allows each of the joint owners to claim a proportion of the original cost of the car, to a total of 12%. That is, if there are two joint owners, then they can each claim a deduction of 6% of the original cost of the car.

4. Method 3 – one third of actual expenses

Like Method 2, Method 3 is only available to taxpayers who have travelled more than 5,000 work-related kilometres in the car in an income year.

Taxpayers using this method can deduct one-third of the car's expenses (whether wholly their own or incurred jointly with other owners or lessees; and not including capital expenses) **plus** one third of their share of the depreciation.

5. Method 4 –logbook

If the taxpayer uses a vehicle logbook, it must state:

- when the logbook period begins and ends
- the car's odometer readings at the start and end
- the total number of kilometres that the car travelled
- the number of kilometres travelled for work
- the business use percentage.

For each logbook period, the taxpayer would calculate their deductions as follows:

*(Total km the taxpayer travelled to produce their assessable income **divided by** the total number of kilometres the car travelled) **multiplied by** (the total car expenses incurred **plus** the car's total depreciation for the period).*

6. More information

For more information, see:

- Car expenses on how the methods work
- Work-related car expenses calculator to assist with the calculation of car expenses.

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