



# PS LA 1999/2

## Calculating joint car expense deductions

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.*

### 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 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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