



Monthly Information Newsletter – Tax & Super

July 2023

Work-related car expenses updated

The ATO has just announced that the cents per kilometre rate has increased to 85 cents per kilometre for 2023/24. To recap, there are two methods to claim work-related car expenses as follows:

1. Cents per kilometre method

This method is easier for record keeping, involves a more simple calculation, and is generally suited to those with less vehicle use. You simply keep a record of the number of kilometres you're traveling for work or for business over the duration of the year and you claim these the set rate.

The drawback of this method is that you are limited to a maximum of 5000 work related or business kilometres per year. That gives you a total maximum claim of \$4,250. Thus, if you're using your car a lot for work, you may find that this is method quite limiting.

2. Logbook method

This method can allow for greater claims depending on how much you're using your car for work or business.

However, there are more recordkeeping requirements – the main one being that you must keep a 12-week logbook that records all of your trips, both business and private for those 12 weeks.

At the end of the 12 weeks, you calculate your work related or business percentage use, and you can claim that percentage of all deductions for your car.

You also need to keep all receipts for fuel, insurance, registration, interest, and servicing throughout the year.

As mentioned, despite the additional effort, it can often lead to a greater claim if you are using your car a lot for work and business.

Comparison

	Logbook method	Cents per km method
Pros	<ul style="list-style-type: none"> Potentially allows for larger deductions Ability to claim a percentage of actual expenses as well as depreciation of the vehicle 	<ul style="list-style-type: none"> Simple calculation and record keeping No need to keep all receipts for running expenses
Cons	<ul style="list-style-type: none"> More onerous record keeping requirements Must keep records for all car expenses 	<ul style="list-style-type: none"> Total claim limited to 5000kms, or \$4,250 (2023/24) No separate depreciation claim available

Summary

As you can see, both methods have their downsides and can have their benefits too depending on your situation. Consider which is best for you, taking into account:

- If you have the time or the ability to save all of your car-related records
- The level of your business-related vehicle use.

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