



## Monthly Information Newsletter – Tax & Super

September 2023

### Costs of a caravan/motor home for work-related travel

#### SCENARIO:

I run a small business that requires me to travel quite a lot, particularly to country areas where I will often stay overnight. To save on accommodation costs, I have purchased a caravan. I have a business logo on the side of the caravan that is on display when I attend town shows and events. Will the costs of purchasing and maintaining my caravan be deductible in my individual income tax return?

#### GUIDANCE:

In these challenging and changing times, many have jumped on the modern version of the proverbial band wagon and purchased a caravan or motor home to use for work or business-related travel.

It is a common misconception that there are specific rules governing whether you can claim a tax deduction for the costs of purchasing and maintaining a caravan or motor home. A caravan or motor home is no different to any other work or business asset you own, and the extent the expenses are deductible will depend upon the extent you use the caravan or motor home for income-producing purposes. The complexity does not arise because the expenses relate to a caravan or motor home, but that the expenses (in our scenario above) are essentially travel and accommodation expenses, and this is an area of tax law that can be difficult to apply in practice.

Travel and accommodation expenses are deductible under the tax legislation where you incur these expenses gaining or producing assessable income, or they are necessarily incurred in carrying on your business.

Travel between two unrelated work locations is also deductible where neither of the two work locations is your home (although in this case, the costs may still be deductible under the general deduction provision).

Travel costs will not be deductible if they are a prerequisite to earning income, if you are living away home (rather than travelling on work) nor if they are as a result of your own

personal choice or circumstances, e.g., the costs are not deductible just because you decide it is more convenient to stay overnight. It would seem that if it is reasonable that you would stay overnight rather than travelling to and from a location within a day, and the reason cannot be attributed to a personal choice, then it is more likely the travel would be viewed as work-related. Keeping a diary would help support your deduction (and is necessary as a sole trader travelling for six or more consecutive nights).

Generally, the depreciation and GST claim on a caravan or motorhome will not be limited by the car limit (currently \$68,108). This is because, a caravan or motorhome (designed to carry a load of more than one tonne) is not a 'car' as defined in the tax legislation.

#### What if my business logo is on the side of the caravan?

The good news is while the cost of the business logo will ordinarily be tax deductible as advertising, the bad news is the ATO is firmly of the view that placing a business logo on the side of a caravan (or any type of motor vehicle) will not turn private travel into business travel, even if the signage is affixed permanently. This means if the travel expenses are not tax deductible without a logo, the travel expenses will not be deductible with a logo.

#### DISCLAIMER

All information provided in this article is of a general nature only and is not personal financial or investment advice. Also, changes in legislation may occur frequently. We recommend that our formal advice be obtained before acting on the basis of this information.

*Our liability may be limited by a scheme approved under Professional Standards Legislation.*