

CLAIMING MOTOR VEHICLES

*Deductions
De-mystified*

10-minute read



Claiming Motor Vehicles

Key points

- Consult your accountant to optimise your tax strategy based on your unique circumstances.
- Contact your accountant prior to purchasing a vehicle to maximise tax benefits.
- The calculation and eligibility of motor vehicle expenses vary based on factors like business structure and vehicle type.
- Accurately determine personal use percentage for tax purposes.
- Maintain records for a minimum of 5 years to substantiate your expenses.

Navigating accounting and taxation requires managing many variables. Despite a Google Search being a helpful foundation, Tax Laws, Regulations, Rulings, and Acts are complex, necessitating precision. Accountants offer expertise in identifying the many exceptions and exclusions, providing tailored guidance for individual circumstances.

DISCLAIMER

This publication has been prepared for clients of Etica Accounting and the interested public. Many of the comments contained in Etica Monthly are general in nature and anyone intending to apply the information to practical circumstances should independently verify their interpretation and the information's applicability to their particular circumstances. Liability limited by a scheme approved under Professional Standards Legislation

Claiming Motor Vehicles

Examples:

In the following pages, we explore four distinct vehicle types: ***Subaru, Mercedes, Chevrolet,*** and a ***motorbike***, highlighting the potential taxable benefit of each. This summary serves as a general guide and might not perfectly align with your specific situation. It's advisable to consult with your accountant to determine the optimal choice for your needs.

DISCLAIMER

This publication has been prepared for clients of Etica Accounting and the interested public. Many of the comments contained in Etica Monthly are general in nature and anyone intending to apply the information to practical circumstances should independently verify their interpretation and the information's applicability to their particular circumstances. Liability limited by a scheme approved under Professional Standards Legislation

Summary Take Away

Subaru Forester 2.5i Cost: \$44,248

Running Expenses: \$12,345

TTL claimed in 2024FY: Ind.\$18,725.60; Trust\$21,723.20; Co.\$21,723.20

Mercedes GLC 63 Cost: \$191,800

Running Expenses: \$15,345

TTL claimed in 2024FY: Ind.\$25,897.60; Trust\$33,916.25; Co.\$33,916.25

Chevrolet Silverado 2500HD Cost \$163,000:

Running Expenses: \$20,345

TTL claimed in 2024FY: Ind.\$61,095; Trust\$71,322; Co.\$71,322

Motorbike 2023 Suzuki GSX-S1000 Cost \$19,000:

Running Expenses: \$8,345

TTL claimed in 2024FY: Ind.\$25,676; Trust\$25,676; Co.\$25,676

Subaru Forester 2.5i - \$44,248 Driveaway

- Vehicle purchased on 1 July 2023.
- Total distance travelled in the year: 11,045 km.
- Logbook maintained for 12 consecutive weeks, revealing vehicle business use at 80%.
- Depreciation calculated at 25% diminishing value.
- Interest on loan claimable at 80%, with no deductible limit for loan amount.
- GST on vehicle: \$3,747.
- Running expenses: \$12,345 (including fuel, maintenance, registration, insurance, and loan interest).

Individual

Private use percentage is applied to depreciation and all running expenses.

Depreciation calculation: $((\text{Vehicle value} * 80\%) * (\text{Days owned} / \text{Days in year}) * (200\% / 8)) = \$8,849.60$.

Running expenses: \$12,345 @ 80% = \$9,876.

Total expenses claimed for the 2024 financial year: \$18,725.60.

Trust

Private use percentage options: Option 1: Applied on depreciation & all running expenses; Option 2: Employee Contribution Method (ECM), potentially requiring GST remittance to ATO, paid to Trust by beneficiary/employee. Option 1 selected for this example.

Depreciation calculation: $((\text{Vehicle value} - \text{GST claimed}) * 80\%) * (\text{Days owned} / \text{Days in year}) * (200\% / 8) = \$11,847.20$ incl. GST claimed.

Running expenses: \$12,345 @ 80% = \$9,876 including GST claimed.

Total expenses claimed for 2024 financial year: \$21,723.20 including GST claimed on expenses and vehicle purchase.

Company

Private use percentage options: Option 1: Co. reimburses employee for business use % of their expenses. Option 2: Employee Contribution Method (ECM), potentially requiring GST remittance to ATO, paid to the Co. by the employee. Option 3: Provide vehicle to employee as Fringe Benefit. All running costs & allowable depreciation claimed. Company must lodge and remit calculated FBT in FBT Return to ATO. Option 1 is chosen for this example.

Depreciation calculation: $((\text{Vehicle value} - \text{GST claimed}) * 80\%) * (\text{Days owned} / \text{Days in year}) * (200\% / 8) = \$11,847.20$ incl. GST claimed.

Running expenses: \$12,345 @ 80% = \$9,876 including GST claimed.

Total expenses claimed for the 2024 financial year: \$21,723.20 including GST claimed on expenses and vehicle purchase.

DISCLAIMER

This publication has been prepared for clients of Etica Accounting and the interested public. Many of the comments contained in Etica Monthly are general in nature and anyone intending to apply the information to practical circumstances should independently verify their interpretation and the information's applicability to their particular circumstances. Liability limited by a scheme approved under Professional Standards Legislation

Mercedes GLC 63 \$191,800 + LCT Driveaway

- Vehicle purchased on 1 July 2023.
- Total distance travelled in the year: 11,045 km.
- Logbook kept for 12 consecutive weeks, determining vehicle business use at 80%.
- Depreciation calculated at 25% diminishing value.
- Interest on loan claimable at 80% with no deductible limit for loan amount.
- GST on vehicle: \$16,363.
- GST limit for claiming: \$6,191 ($1/11 \times \$68,108$).
- Running expenses: \$15,345 (including fuel, maintenance, registration, insurance, and loan interest).
- Depreciation limit: \$68,108.
- Luxury Car Tax (LCT) limit: \$76,950 or \$89,332 for fuel-efficient cars.
- LCT paid in the driveaway price: \$31,638 ($((\$182,410 \{ \text{cost less stamp duty, rego\&ins} \} - \text{LCT Threshold}) / 1.1) * 33\%)$).

Individual

Private use percentage applied on depreciation and all running expenses.

Depreciation calculated as $((\text{Vehicle limit} * 80\%) * (\text{Days owned} / \text{Days in year}) * (200\% / 8)) = \$13,621.60$.

Running expenses: \$15,345 @ 80% = \$12,276.

Total expenses claimed for the 2024 financial year: \$25,897.60.

Trust

Private use percentage options: Option 1: applied on depreciation & all running expenses. Option 2: Employee Contribution Method (ECM), potentially requiring GST remittance to ATO, paid to the Trust by the beneficiary/employee. Option 1 is chosen.

Depreciation calculation: $((\text{Vehicle limit} - \text{GST claimed}) * 80\%) * (\text{Days owned} / \text{Days in year}) * (200\% / 8) = \$21,640.25$ incl. GST claimed.

Running expenses: \$15,345 @ 80% = \$12,276 including GST claimed.

Total expenses claimed for the 2024 financial year: \$33,916.25.

Company

Private use percentage options: Option 1: Co. reimburses employee for business use % of their expenses. Option 2: Employee Contribution Method (ECM), potentially requiring GST remittance to ATO, paid to the Co. by the employee. Option 3: Provide vehicle to employee as Fringe Benefit. All running costs & allowable depreciation claimed. Company must lodge and remit calculated FBT in FBT Return to ATO. Option 1 is chosen for this example.

Depreciation calculation: $((\text{Vehicle limit} - \text{GST claimed}) * 80\%) * (\text{Days owned} / \text{Days in year}) * (200\% / 8) = \$21,640.25$ incl. GST claimed.

Running expenses: \$15,345 @ 80% = \$12,276 including GST claimed.

Total expenses claimed for the 2024 financial year: \$33,916.25.

DISCLAIMER

This publication has been prepared for clients of Etica Accounting and the interested public. Many of the comments contained in Etica Monthly are general in nature and anyone intending to apply the information to practical circumstances should independently verify their interpretation and the information's applicability to their particular circumstances. Liability limited by a scheme approved under Professional Standards Legislation



Etica
Accounting

Chevrolet Silverado 2500HD \$163,000 Driveaway

- Vehicle purchased on 1 July 2023.
- Total distance travelled in the year: 11,045 km.
- Depreciation determined at 25% diminishing value.
- Interest on loan claimable at 100%, with no deductible limit for loan amount.
- GST on vehicle: \$13,636.
- Running expenses: \$20,345 (including fuel, maintenance, registration, insurance, and loan interest).
- No depreciation limit deemed.
- Not considered a luxury car for Luxury Car Tax (LCT) purposes.
- Carrying capacity of 750kg.
- 11 passengers allowed based on the 68kg per passenger rule (750kg/68kg).
- No GST limit deemed.

Individual

Private use percentage not applied – see source documents below

Depreciation calculated as $((\text{Vehicle value} \times 100\%) \times (\text{Days owned} / \text{Days in year}) \times (200\% / 8)) = \$40,750$.

Running expenses: \$20,345 @ 100% = \$20,345.

Total expenses claimed for the 2024 financial year: \$61,095.

Trust

Private use percentage not applied – see source documents below

Depreciation calculated as $((\text{Vehicle value} - \text{GST claimed}) \times 100\%) \times (\text{Days owned} / \text{Days in year}) \times (200\% / 8) = \$50,977$ incl. GST claimed.

Running expenses: \$20,345 @ 100% = \$20,345 including GST claimed.

Total expenses claimed for the 2024 financial year: \$71,322.

Company

Private use percentage not applied – see source documents below

Depreciation calculated as $((\text{Vehicle value} - \text{GST claimed}) \times 100\%) \times (\text{Days owned} / \text{Days in year}) \times (200\% / 8) = \$50,977$ incl. GST claimed.

Running expenses: \$20,345 @ 100% = \$20,345 including GST claimed.

Total expenses claimed for the 2024 financial year: \$71,322.

Date of Publication:: 2nd April 2024

DISCLAIMER

This publication has been prepared for clients of Etica Accounting and the interested public. Many of the comments contained in Etica Monthly are general in nature and anyone intending to apply the information to practical circumstances should independently verify their interpretation and the information's applicability to their particular circumstances. Liability limited by a scheme approved under Professional Standards Legislation

- Vehicle purchased on 1 July 2023.
- Total distance travelled in the year: 11,045 km.
- Logbook maintained for 12 consecutive weeks, revealing vehicle business use at 80%.
- Depreciation calculated at 25% diminishing value.
- Interest on loan claimable at 80%, with no deductible limit for loan amount.
- GST on vehicle: \$1,545.
- Running expenses: \$8,345 (including fuel, maintenance, registration, insurance).

Individual

Private use percentage applied on all running expenses.

Depreciation: Bike fully depreciated under ATO current rules \$19,000.

Running expenses: \$8,345 @ 80% = \$6,676.

Total expenses claimed for the 2024 financial year: \$25,676.

Trust

Private use percentage options: Option 1: Applied on all running expenses. Option 2: Employee Contribution Method (ECM), potentially requiring GST remittance to ATO, paid to the Trust by the beneficiary/employee. Option 1 selected for this example.

Depreciation: Bike fully depreciated under ATO current rules \$19,000 including GST claimed.

Running expenses: \$8,345 @ 80% = \$6,676 including GST claimed.

Total expenses claimed for the 2024 financial year: \$25,676.

Company

Private use percentage: Option 1: Co. reimburses employee for business use % of their expenses. Option 2: Employee Contribution Method (ECM), potentially requiring GST remittance to ATO, paid to the Co. by the employee. Option 3: Provide vehicle to employee as Fringe Benefit. All running costs & allowable depreciation claimed. Company must lodge and remit calculated FBT in FBT Return to ATO. Option 1 is chosen for this example.

Depreciation: Bike fully depreciated under ATO current rules \$19,000 including GST claimed.

Running expenses: \$8,345 @ 80% = \$6,676 including GST claimed.

Total expenses claimed for the 2024 financial year: \$25,676.

DISCLAIMER

This publication has been prepared for clients of Etica Accounting and the interested public. Many of the comments contained in Etica Monthly are general in nature and anyone intending to apply the information to practical circumstances should independently verify their interpretation and the information's applicability to their particular circumstances. Liability limited by a scheme approved under Professional Standards Legislation

Source Documents

Australian Taxation Office

"Car" s.995-1 ITAA 1997

"Car Limit" s.40-230 ITAA 1997

"Principle Purpose of Vehicle" LCTD 2023/1

"68kg per passenger" Rule - Miscellaneous Tax Ruling 2024

"Limit of GST claimable" s. 69-10 A New Tax System (Goods and Services Tax) Act 1999

"Where No Limit of GST Claimable" Subsection 69-10(4) A New Tax System (Goods and Services Tax) Act 1999

"A Luxury Car" subsection 25-1(2) A New Tax System (Luxury Car Tax) Act 1999 (LCT Act)

Date of Publication:: 2nd April 2024

DISCLAIMER

This publication has been prepared for clients of Etica Accounting and the interested public. Many of the comments contained in Etica Monthly are general in nature and anyone intending to apply the information to practical circumstances should independently verify their interpretation and the information's applicability to their particular circumstances. Liability limited by a scheme approved under Professional Standards Legislation