

Over the past few years the ATO has become more aggressive in reviewing tax returns and requesting information such as log books, copies of receipts and evidence of deductions claimed. Even though the ATO has processed your tax return and you have received your refund the ATO still have up to 5 years from the date of lodgement of your return to request you substantiate your expense claim.

Motor Vehicle Expense Claim - Log Book Method

If you use your car for work purposes and you believe you have travelled more than 5,000km for work purposes you are entitled to claim the costs of using your car to do your job providing you have kept a log book for a 12 week period. Once a log book has been prepared it is valid for 5 years provided your job description or title has not change significantly during that period.

A log book must record all business trips over the 12 week period and each trip must have a start and finish odometer reading for the trip, kms travelled and the reason for the trip.

A copy of a log book template can be downloaded from our website, or you can use the various Apps that are available for your phone or purchase a log book from Officeworks or the Post Office.

The type of trips you can claim are as follows;

- Carrying tools or equipment required to complete your job
- Travelling from your home to an alternative workspace (such as a client/supplier's office), and then back to your own workplace or home at the end of the day
- Travelling between two separate workplaces where you are employed
- Travelling to conferences, meetings or other events as required by your employer

Travelling for minor tasks, such as bank visits and post office pick-ups are not included as work related trips.

Once a log book has been completed you need to provide evidence/receipts of the following expenses

- Petrol - bank statements or credit card statements for a 2-3 month period highlighting the petrol transactions will be considered sufficient and representative of your spending for the year.
- Insurance
- Registration
- Repairs / Maintenance / Service receipts
- If you have purchased a new motor vehicle during the year, the purchase invoices and/or finance documents are required in order to claim depreciation and interest

If you own a motor vehicle over 1 tonne and carry bulking equipment or tools

You don't need to keep a log book providing that you are transporting bulky equipment or tools that are required for your employment and there is no secure lock up storage provided on site by your employer. And providing that the motor vehicle is used primarily for work purpose and personal trips are minor and infrequent.

However you are still required to provide evidence and receipts for the expense as listed above.

Motor Vehicle Expense Claim - Cents per KM

If you have not kept a log book you will only be able to claim up to the 5,000km at the ATO set rate of 66 cents per km a maximum tax deduction of \$3,300 to cover all your motor vehicle running costs for the year (i.e petrol, repairs, tyres, depreciation, interest, registration and insurance)

Parking

Parking costs you pay to park your car at your place of business are non-deductible expenses. You can, however, deduct business-related parking cost when visiting a customer or client. Or if you a tradesperson transporting your bulky equipment to and from various work sites as instructed by your employer. If the parking metres do not provide a receipt and cannot be paid via a debit or credit card then you need to document via a diary entry the cost of the parking and the maximum claim without receipts is \$300.

Tolls

Tolls costs, travel to and from work are non-deductible expenses. However as per the above any travel as instructed by your employer that requires you to go through the tolls is deductible. You need to choose a typical monthly itemised bill and determine your percentage for work use over that period and this can be applied to your total toll costs for the year.

Mobile Phone

In order to claim a percentage of your monthly mobile phone bill, you need to choose a typical monthly itemised bill and determine your percentage of work use over that period and this can be applied to your total mobile phone cost for the year.

The percentage can be calculated based on the number of work calls made as a percentage of total calls

Internet

Similarly to claiming the above mobile phone expense claim, you need to choose a typical monthly bill and make a reasonable estimate of a percentage of use for the month based on the number of hours you work from home and the requirement to work from home.

All Other Expenses Claims

(i.e Protective Clothing / Memberships / Subscriptions / Donations / Tools of Trade / Stationery)

For all other expenses, it is ideal that you provide a copy of the receipt for transaction of the deduction incurred however a copy of the bank statement or credit card statement might be seen as sufficient along with the appropriate diary entry or notation on the statement detailing the purpose or the type of transaction.

Please note the above is the minimum standards as required by the ATO. If you do not provide the required substantiation evidence for your deduction and rely solely on estimates for items such log book percentage, petrol costs, mobile usage, tool costs etc this may not hold up if the ATO conduct an audit on your affairs.

We do not have a problem in preparing your tax return based on estimated costs and percentages providing they are reasonable and that you are aware that if the ATO were to conduct an Audit that you can provide the appropriate evidence to support your deduction claim.

Disclaimer: The information is presented in summary form and could be out of date before you read it. It is only intended to draw attention to issues and you should discuss them further with your accountant. Please do not act on this information without further consultation. We disclaim any responsibility for actions taken without further advice as to your particular circumstances.