


IMPORTANT INFORMATION *

Motor Vehicle Expenses for Small Business

How you claim motor vehicle expenses depends on your business structure, the type of vehicle, and how it is used. This factsheet covers the claim methods, depreciation, the records to keep, and the FBT and Division 7A traps to watch.

 For small business

 Cars & other vehicles

 Keep records 5 years

* General information only. Kristy Pan & Co. provides this material for general knowledge; it does not constitute tax or financial advice and does not take account of your specific circumstances. Please speak with us before acting.

1 Cars vs other vehicles

How you calculate a claim depends first on the type of vehicle. You must always apportion expenses between business and private use, and keep records for five years.



A "car"

Designed to carry under 1 tonne and fewer than 9 passengers. Many 4WDs and some utes are cars.



An "other vehicle"

Motorcycles, minivans for 9+ passengers, and utes or vans built to carry 1 tonne or more.

Running a ute isn't automatically deductible — you must use it in the business and claim only the business portion.



COMMON CLAIMABLE EXPENSES

Fuel & oil • repairs & servicing • interest on a car loan • lease payments • insurance • registration • depreciation.

You claim the business-use portion of these — private use (for example, the school run) is excluded.

2

How to claim your deduction

The method depends on your business structure.

Sole traders & partnerships (cars)

For cars, you can use one of two methods — choose the one that gives the bigger deduction if you have the records:



Cents per kilometre

Claim up to **5,000 business km** per car at a set rate per kilometre (the ATO updates the rate each year) that already includes running costs and depreciation. No written evidence is needed, but you must show how you worked out the kilometres. Above 5,000 km, you must use the logbook method.



Logbook method

Claim the **business-use percentage** of each car expense. Keep a logbook for at least 12 continuous weeks (representative of your year); it stays valid for 5 years if you keep it and take odometer readings each year. You can claim depreciation on the business portion.

Companies, trusts & other vehicles

Companies and trusts — and anyone with an "other vehicle" — can't use the cents-per-kilometre or logbook methods. You claim the **actual costs** you incur, based on receipts, separating private use with a diary.



DEPRECIATION

Claim the vehicle's cost over time.

With the logbook or actual-cost methods you can generally claim the vehicle's capital cost (such as the purchase price) as depreciation — under the simplified depreciation rules (the small business pool or the instant asset write-off, if eligible) or the general rules (over its effective life). A **car limit** caps the cost you can depreciate (the ATO indexes it each year). The cents-per-km method already includes depreciation, so you can't claim it separately.

Records to keep (for 5 years)

Whichever method you use — tick what you have on file.

Loan or lease documents

Details of how you worked out your claim (logbook / diary / kilometres)

Tax invoices and receipts

Registration papers



0 of 4 on file.

Keep these for five years to support your claim.

3

Key watch-outs

Three situations that change the tax treatment — worth checking before you claim.



WATCH THIS

Private use can trigger FBT.

If a business-owned or leased vehicle is available for private use by an employee or their associate (such as a spouse), fringe benefits tax may apply — see our [Car FBT guide](#).



WATCH THIS

Company car to a shareholder? Mind Division 7A.

If a private company provides a vehicle to a shareholder or their associate (other than as an employee), it may be treated as a dividend or loan under [Division 7A](#) — which can affect the deductibility of your motor vehicle expenses.



EMPLOYEE'S OWN CAR

Allowance or reimbursement — not depreciation.

If an employee uses their own vehicle for business and you pay an allowance or reimburse costs, the business deducts the allowance/reimbursement — you can't claim depreciation (the employee owns the car). The employee claims their business-use costs in their own return, less what you paid.

4 How we help

We can pick the method that maximises your deduction, set up a compliant logbook, handle depreciation (including the instant asset write-off where eligible), and keep you clear of the FBT and Division 7A traps.

[↓ Download the ATO guide \(PDF\)](#)

[Talk to us →](#)

[Read the ATO's motor vehicle expenses guidance ↗](#)

i Glossary of terms

Apportion

To split an expense between business and private use, claiming only the business portion.

Logbook method

Claims the business-use percentage of actual car expenses, based on a 12-week logbook valid for five years.

Instant asset write-off

A simplified-depreciation concession letting eligible small businesses deduct an asset's cost upfront, within the relevant threshold.

Cents per kilometre method

A simple method for cars: a set rate per business kilometre (capped at 5,000 km/car) that includes running costs and depreciation.

Depreciation

Claiming a vehicle's capital cost (such as its purchase price) as a deduction over time (its decline in value).

Division 7A

Rules that can treat benefits a private company gives a shareholder or associate (such as a vehicle) as a taxable dividend or loan.

DISCLAIMER

This factsheet contains general information only, summarised from the ATO's small business motor vehicle expenses guidance. Rates, the car depreciation limit and write-off thresholds change each year — confirm the current figures with us. It does not take into account your circumstances and is not a substitute for advice. Please consult Kristy Pan & Co. before acting.

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NOTICE

General information only.