

How To Claim Your Car Expenses – The Car Logbook Method

The Car Logbook Method is a good way to track your car expenses and claim them on your tax return (to increase your tax refund)

Keeping track of business-related car use with a logbook is not so hard, and it could really add up and boost your next tax refund. Admittedly, the car logbook method is a bit of a nuisance, but after you do it carefully for 12 weeks, you should be covered for five years of business-related car claims.

(Updated for 2016, because the car logbook will soon be one of only two car expense claim methods allowed by the ATO)

If you’re a small business owner and you use your car for work purposes, **the ATO will let you make a claim on your tax return for some car-related expenses**. The complicated bit is how you keep records and calculate your car deduction claim. That’s why the car logbook method is becoming the most important and popular way to measure and claim your car usage, and it’s pretty easy to use. Let’s dig into the car logbook

In this article, we take a look at claiming car expenses using the “car logbook method”. We’ve chosen this method because generally speaking, **if you’re a business owner or sole trader and you use your car a lot for work, the car logbook method will usually get you a bigger tax refund**.

And although it takes a bit of patience to get going, it’s only one recording period for every five years, so overall the car log book is really quite convenient to use.

**Special Update for 2016:**

Up to 2015, claiming work-related car expenses was done via one of four different methods to calculate your car expenses.  Starting with your 2016 tax return (for the income period starting 1 July 2015), the old “1/3 expenses” and “12% cost” methods are no longer available. There will be only two methods to calculate car expenses: The “cents per kilometre method” or the “log book method”.

If you have used the cents per kilometre method in the past, you may become disadvantaged under the new ATO changes. The cents per kilometre rate is now fixed at 66c per kilometre for all vehicles. That means if you use a large vehicle and use it a lot, you could really lose out.

It is likely the car logbook will become the most popular and the most advantageous way to calculate and claim car expenses for most taxpayers. Ask your tax agent to confirm the best method for you.

How the Logbook Method Works

Using the logbook method, **your tax deduction claim is based on your car’s “business use percentage”**. Your business use percentage is the percentage of kilometres you travel in your car for business related purposes.

By keeping a car logbook, it becomes easy to calculate your business use percentage and it also becomes easy to provide evidence required by the ATO.

How To Use Your Logbook

To work out your business use percentage, **you need to keep a logbook for your car for a “typical” 12 week period**. These must be 12 consecutive weeks (i.e. 12 weeks in a row).

There are very strict ATO rules for completing a car logbook, so make sure you abide by them all. (There’s no sense in doing a logbook, only for it to be deemed worthless by the ATO; get it right the first time and you’re good for five years.)

**Your logbook must include every trip you take** – not just your business related trips.

**The logbook must include the following details:**

* date for each journey
* start and finish times for each journey
* start and finish odometer readings for each journey
* total number of kilometres for each journey
* reason for each journey
* start and finish dates for the logbook period
* start and finish odometer readings for the logbook period
* total number of kilometres travelled during the period
* business use percentage for the period

Does the logbook method sound like a lot of effort?

It can be, but believe us: **it can be worth it at tax time, when you get a bigger tax refund**.

And as a bonus, the good news is that IF your business use percentage is consistent…

**…then you only need to fill out a new logbook for one 12-week recording period every 5 years.**

How To Calculate Your Business Use Percentage

Once you’ve completed your 12 week logbook, you’ll be able to calculate your car’s business use percentage.

To do this, **divide your business use kilometres by your total kilometres, then multiply by 100**.

So, for example, if you travel 4,000 kilometres in total for the 12 week period, and 1,200 of these were for business-specific purposes, you would do the following calculation:

**1,200 ÷ 4,000 × 100 = 30**

In this example, your car’s business use percentage would be 30%. This means that you could claim 30% of your vehicle expenses for the financial year.

What Sort of Vehicle Expenses Can You Claim?

So, what are “vehicle expenses” in the eyes of the ATO?

Vehicle expenses include:

* **running costs such as fuel, oil, and servicing**
* **registration**
* **insurance**
* **vehicle depreciation**

Vehicle expenses do not include:

* the purchase cost of the car
* parking tickets, speeding and other fines

Remember: Record, Record, Record

Of course, it’s not just your logbook records that you need to keep in order to make a claim for car expenses in your tax return. You must also keep written evidence (such as receipts) of all the car expenses you are claiming.

**Always remember: Your car expenses claims cannot be guessed or made-up.** They must be legitimate, and you must have evidence of them. If you don’t, you could be audited by the ATO, and this could cost you thousands of dollars in fines.

On the other hand, if you stick to the rules and **use the logbook method for claiming your car expenses**, you can **maximise your tax refund**without having to worry about the ATO becoming a back seat driver.