



Motor vehicle and car expenses

Deductions for work-related use of your car or another motor vehicle.

Expenses for a car you own or lease



Deductions for work-related use of your own car. v8 test two

Expenses for a vehicle that isn't yours or isn't a car



Deductions for work-related use of a vehicle that either does not belong to you or is not a car. v7

Expenses for parking tolls accidents licence and fines



Deductions for parking fees, tolls, accident damage, renewing your licence or paying a fine. v7

QC 72123

Expenses for a car you own or lease

Deductions for work-related use of your own car. v8 test two

Last updated 22 June 2023

Claiming a deduction for car expenses

To claim a deduction for car expenses:

- Your vehicle must meet the [definition of a car](#).
- You [must own or lease the car](#).
 - You do not own or lease the car if you use it under a salary sacrifice or novated lease arrangement.
- The expenses must be for **work-related trips**.
 - You can claim for trips between workplaces or to perform your work duties.
 - You can't claim for trips between your home and place of work, except in limited circumstances.
- You must have spent the money yourself and weren't reimbursed.
- You must have the required records.

If it's someone else's car or it's another type of vehicle (such as a truck or motorcycle), see **Expenses for a vehicle that isn't yours or isn't a car**.

If your travel is partly private, you can only claim a deduction for the work-related portion of your expenses.

You claim the tax deduction in your income tax return as a **work-related car expense**.

If you receive an **allowance** from your employer for car expenses, you must include it as assessable income in your tax return. The allowance amount is shown on your income statement or payment summary.

Definition of a car

To claim a work-related car expense, the vehicle must be a car.

A car is a motor vehicle that carries a load of less than 1 tonne and fewer than 9 passengers (including the driver). Motorcycles and similar vehicles are not cars.

If the vehicle does not meet this definition, you claim your work-related expenses using the approach for a **vehicle that isn't a car**.

You must own or lease the car

To claim car expenses you must own or lease the car, or hire it under a hire-purchase arrangement.

You can't claim running costs for a car you use under a salary sacrifice or novated lease arrangement. In this situation the car is usually leased by your employer from a financing company, and your employer typically pays for the running costs and claims deductions. You can claim additional expenses, like parking and tolls associated with your work use of the car.

If you use a car owned by a family member, and you can show there is a private arrangement that made you the owner or lessee of the car (even if you aren't the registered owner), you work out your car expenses as though it is your car.

If you don't own or lease the car (or don't have a private arrangement that makes you the owner or lessee), you claim your work-related expenses using the approach for a **vehicle that isn't yours**.

Example: private arrangement

When Rory turned 18 she bought a car from her parents for \$1,000. She now pays the insurance, fuel, registration, and other running costs, and no one else uses the car. However, the registration has not been updated and the car is still registered in her mother's name.

Rory is eligible to claim her work-related car expenses even though the registration has not been changed to her name. She would be treated as the owner because she can show that:

- she bought the car from her parents
- she is now responsible for all of the ownership and running costs of the car.

Calculating your car expense deductions and keeping records

You use either of 2 methods to calculate deductions for car expenses:

- [Cents per kilometre method](#)
- [Logbook method](#).

Use the calculator to work out your deduction for either method.

Work-related car expenses calculator

If you are claiming car expenses for more than one car, you can use a different method for each car. You can also change the method you use in different income years for the same car.

Cents per kilometre method

To calculate your deduction using this method, multiply the number of work-related kilometres you travel in the car by the rate per kilometre for that income year.

'Work-related kilometres' are the kilometres your car travels in the course of earning your assessable income.

- Use the rate for the income year for which you are claiming a deduction:
 - 2023–24: use 85 cents per kilometre
 - 2022–23: use 78 cents per kilometre
 - 2020–21 and 2021–22: use 72 cents per kilometre
 - for rates in earlier years, see **Prior year tax return forms and schedules**.
- You can claim a maximum of 5,000 work-related kilometres per car.
- You need to [keep records](#) that show how you work out your work-related kilometres.

If you and another joint owner use the car for separate income-producing purposes, you can each claim up to 5,000 work-related kilometres.

The cents per kilometre rate covers all car expenses, including:

- decline in value
- registration
- insurance
- maintenance
- repairs
- fuel costs.

You can't add any of these expenses on top of the rate when you work out your deduction using this method.

Example: car deduction using cents per kilometre

Once per week, Johan makes a 27-kilometre round trip in his own car from his head office in the city to meet with clients. In addition, once per month he makes a 106-kilometre round trip to visit clients at another location.

When Johan consults his diary at the end of the 2022–23 income year, he works out he was at work for 47 weeks, but he missed one weekly meeting with clients as he was sick. He also determines that, although he was on leave for 5 weeks during the income year, he still made 12×106 -kilometre round trips to visit clients.

He works out his work-related kilometres as:

Number of weekly trips \times distance of weekly trip = total weekly trip kilometres

$$46 \times 27 \text{ km} = 1,242 \text{ km}$$

Number of monthly trips \times distance of monthly trip = total monthly trip kilometres

$$12 \times 106 \text{ km} = 1,272 \text{ km}$$

Total weekly trip kilometres + total monthly trip kilometres = total trip kilometres

$$1,242 + 1,272 \text{ km} = 2,514 \text{ km}$$

Johan works out his deduction for the 2022–23 income year as:

$$2,514 \text{ km} \times 0.78 = \$1,961$$

Keeping records for cents per kilometre method

If you use the cents per kilometre method, you don't need receipts.

You do need to be able to show that you own the car and how you work out your work-related kilometres. For example, you could record your work-related trips:

- in a diary
- using the myDeductions tool in the ATO app.

Logbook method

To calculate your deduction using the logbook method, you need to:

- [keep a logbook](#) that shows your work-related trips for a continuous period of at least 12 weeks (your logbook is valid for up to 5 income years)
- [keep receipts or other records of your car expenses](#)
- use your logbook to [calculate the deductible portion of your car expenses](#).

Keeping a logbook

Your logbook must:

- cover at least 12 continuous weeks and be broadly representative of your travel
- include the destination and purpose of every journey, the odometer reading at the start and end of each journey, and the total kilometres travelled during the period
- include odometer readings for the start and end of the logbook period.

Your logbook is valid for 5 years. However, if your circumstances change (for example, if you change jobs or move to a new house), and the logbook is no longer representative of your work-related use, you will need to complete a new 12-week logbook.

In each of the 4 years following the first year, you need to keep:

- odometer readings for the start and end of the full period you claim
- your work-related use percentage based on the logbook.

If you are using the logbook method for 2 or more cars, keep a logbook for each car and make sure they cover the same period.

You can keep an electronic logbook using the **myDeductions** tool in the ATO app, or keep a paper logbook.

You must retain your logbook and odometer records for 5 years after the end of the latest income year that you rely on them to support your claim.

Keeping records of car expenses for logbook method

You can claim running costs and decline in value of your car.

You must keep:

- receipts for your fuel and oil expenses, or a record of your reasonable estimate of these expenses based on the odometer readings for the start and end of the period for which you are claiming
- receipts for other expenses for your car – for example, registration, insurance, lease payments, services, tyres, repairs, electricity expenses and interest charges
- a record of the purchase price of the car and how you work out your claim for the decline in value of your car, including the effective life and method you use.

You can't claim capital costs, such as the purchase price of your car, the principal on any money borrowed to buy it, or improvement costs (for example, adding paint protection or tinted windows).

How to calculate your deduction using a logbook

1. Work out the total number of kilometres you travelled during the logbook period.
2. Work out the number of kilometres you travelled for allowable work-related trips during the logbook period.
3. Divide the work-related kilometres (2) by the total kilometres (1), then multiply by 100. This is your work-related use percentage.

4. Add up your total expenses for the period for which you are claiming.
5. Multiply your work-related use percentage (3) by your car expenses (4). This is the amount you claim as a deduction.

QC 72124

Expenses for a vehicle that isn't yours or isn't a car

Deductions for work-related use of a vehicle that either does not belong to you or is not a car. v7

Last updated 26 April 2023

Claiming a deduction for vehicle expenses

You can claim a deduction for work-related expenses for a vehicle that either:

- [does not belong to you](#) (is someone else's car)
- [is not a car](#) (such as a truck or motorcycle, whether it belongs to you or someone else).

To claim a deduction:

- The expenses must be for **work-related trips**.
 - You can claim for trips between workplaces or to perform your work duties.
 - You can't claim for trips between your home and place of work, except in limited circumstances.
- You must have spent the money yourself and weren't reimbursed.
- You must have a record of your expenses.

If your travel is partly private, you can only claim a deduction for the work-related portion of the expenses you incur.

You claim the tax deduction in your income tax return as a **work-related travel expense**.

If the vehicle is a car and belongs to you, you calculate and claim your deduction in a different way. See [Expenses for a car you own or lease](#).

If you receive an allowance from your employer for vehicle expenses, you must include it as assessable income in your tax return. The allowance amount is shown on your income statement or payment summary.

Someone else's vehicle

This means a vehicle owned by your employer or anyone other than you.

You can't claim running costs for a car you use under a salary sacrifice or novated lease arrangement. In this situation the car is usually leased by your employer from a financing company, and your employer typically pays for the running costs and claims deductions. You can claim additional expenses, like parking and tolls associated with your work use of the car.

If you use a car owned by a family member, and you can show there is a private arrangement that made you the owner or lessee of the car (even if you aren't the registered owner), you **work out your car expenses as though it is your car**.

A vehicle that isn't a car

Vehicles that are not cars include motorcycles, scooters and similar vehicles, and vehicles with:

- greater than 1 tonne carrying capacity such as trucks, heavy vehicles and some utes
- a carrying capacity of 9 or more passengers (including the driver), such as a minibus.

Calculate deduction for vehicle expenses

To claim a deduction for a vehicle that isn't yours or isn't a car, you:

- work out your actual expenses for your work-related travel in the vehicle
- claim the deduction in your tax return as a work-related **travel** expense (not as a work-related car expense).

You can't use the cents per kilometre method or the logbook method to work out your claim. However, as you can only claim a deduction for the expenses related to your work-related travel, you may wish to keep a document similar to a logbook to calculate your work-related use percentage. While it is not a requirement, it is the easiest way to show how you calculated the expenses related to your work-related travel.

Keeping records of vehicle expenses

You must keep:

- evidence of how you calculated your work-related use of the vehicle
- original receipts for all of your vehicle expenses
- details of how you work out your claim for the decline in value of the vehicle, including the effective life and method you use.

You can use the **myDeductions** tool in the ATO app to keep your vehicle expense records.

Example: actual work-related expenses for a motorcycle

Samid buys a motorcycle that he uses for his work, making local deliveries. He also uses his motorcycle when he's not working. To help work out his work-related use he decides to keep a record, similar to a logbook, that shows his work-related and private trips.

Samid's logbook shows he travelled a total of 3,000 kilometres on his motorcycle for the whole income year. During the 12-week period he kept his record of trips, he travelled 800 kilometres in total, with 600 kilometres being work-related.

Samid calculates his work use percentage as 75% ($600 \div 800$).

Samid keeps receipts for all his expenses. His total expenses for the motorcycle for the income year were:

Fuel and oil	\$560
Repair	\$400
Registration	\$540
Compulsory Third Party insurance	\$300
Decline in value	\$1,800
Total	\$3,600

To work out his tax deduction, Samid multiplies his total expense by his work use percentage:

$$\$3,600 \times 75\% = \$2,700$$

QC 72125

Expenses for parking, tolls, accidents, licence and fines

Deductions for parking fees, tolls, accident damage, renewing your licence or paying a fine. v7

Last updated 26 April 2023

Parking fees and tolls

You can claim a deduction for parking fees and tolls you incur when you use your car or other vehicle for **work-related purposes**.

You can't claim a deduction for parking at or near a regular place of work. You also can't claim a deduction for tolls you incur for trips between your home and work. These are private expenses.

Example: parking on work-related trip

Karlyn is a trainee lawyer. She has to rush some legal documents to the court before it closes for the day. Karlyn drives from the office to the court. She parks directly in front of the court and pays a fee for parking, which her employer does not reimburse.

Karlyn can claim the cost of the car parking as a deduction because her trip from the office to the court is work-related.

Example: tolls and parking on trip from home to work

Carissa works in the city centre. There is no parking for employees in her building, so Carissa pays for car parking nearby.

When Carissa is running late for work she takes a quicker route and incurs a toll.

Carissa can't claim a deduction for the cost of:

- parking near her regular place of work
- the occasional tolls when driving between her home and her regular place of work.

Damage to a third-party motor vehicle

If you use your own motor vehicle in the course of your employment and you're involved in an accident that causes damage to another vehicle, you may be able to claim a deduction for:

- the costs you incur to repair your vehicle
- damages or compensation for the damage to the other vehicle if you are liable.

Generally, you 'incur' an expense when you either pay it or are liable to pay. For more information, see *TR 97/7 Income tax: section 8-1 – meaning of 'incurred' – timing of deductions*.

Drivers licence

You can't claim a deduction for the cost to get or renew your drivers licence, even if you must have it as a condition of employment. This is a private expense.

You can claim a deduction for additional costs you incur to get a special licence or condition on your licence to perform your work duties. For example, you can claim the cost you incur to get a heavy vehicle permit.

Example: special licence

Rhonda works on a sugar cane farm. She must operate heavy machinery to carry out her employment duties. To operate some of the machinery she needs a driver's licence and a heavy vehicle permit. Her driver's licence renewal costs her \$45 per year and it costs \$73 to apply for the heavy vehicle permit.

The \$45 to renew her licence is not deductible because it is a private expense. The cost of the heavy vehicle permit (\$73) is deductible as it is an additional expense she incurs that directly relates to her employment duties, and is not a private expense.

Fines and penalties

You can't claim a deduction for any fines you get when you travel to work or during work. This includes parking and speeding fines or penalties.

Example: parking fine at work

Warren's employment duties often require him to drive from the office where he works to various building sites.

On a couple of occasions when Warren has been running late, he has parked in a loading zone and received a parking fine.

Warren can't claim a deduction for the parking fines. It doesn't matter that he is working at the time he is issued with the fine.

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