# *PS LA 1999/2 - Calculating car expense deductions where the car is jointly owned, jointly leased or jointly hired under a hire purchase agreement (but is not owned, leased or hired by a partnership)*

Australian Government
Australian Taxation Office

# Practice Statement Law Administration

# PS LA 1999/2

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**SUBJECT:** **Calculating car expense deductions where the car is jointly owned, jointly leased or jointly hired under a hire purchase agreement (but is not owned, leased or hired by a partnership)**

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## STATEMENT

1. A taxpayer who jointly owns or jointly leases a car (or jointly hires a car under a hire purchase agreement) and uses the car for income producing purposes can claim a deduction for car expenses using one of the following four methods:

**METHOD 1 - Cents per kilometre method**

Under this method, a joint owner can claim up to a maximum of 5,000 kilometres in respect of their income producing use. Where both joint owners use the car for separate income producing purposes, each can claim up to a maximum of 5,000 kilometres in relation to their income producing use.

**METHOD 2 - 12% of original value method**

A joint owner can deduct their share of 12% of the cost of the car. Therefore, where there are two joint owners, each owner can claim a deduction of 6% of the cost of the car if they are using this method.

This method is only available where the taxpayer's income producing use exceeds 5,000 kilometres.

**METHOD 3 - One-third of actual expenses method**

A joint owner can deduct one-third of the car expenses, excluding capital expenses, they incur (ie. one-third of their share of jointly incurred expenses and one-third of expenses wholly incurred by them) and one-third of their share of depreciation. This method is only available where the taxpayer's income producing use exceeds 5,000 kilometres.

**METHOD 4 - Log book method**

A joint owner can deduct the car expenses, including depreciation (but excluding other capital expenses), multiplied by the business use percentage.

2. Joint owners can use different methods from each other in calculating their deductions under Division 28 of the *Income Tax Assessment Act 1997* (ITAA 1997).

## EXPLANATION

### Division 28 of the ITAA 1997

3. A taxpayer has to have either owned, leased or hired a car under a hire purchase agreement to be able to claim a deduction under Division 28 of the ITAA 1997. A taxpayer who jointly owned, jointly leased or jointly hired a car under a hire purchase agreement during an income year ‘owned’, ‘leased’ or ‘hired’ the car and can therefore claim a deduction under Division 28.

4. Division 28 applies to a partnership (ie. including an association of persons in receipt of income jointly) as if it were an individual. Therefore, this Law Administration Practice Statement does not apply to a taxpayer who is acting in the capacity of a partner in a partnership.

### Deductions under METHOD 1 - Cents per kilometre method

5. The 5,000 kilometre limit applies to a particular taxpayer in relation to a particular car. It does not apply to the car itself. Therefore, each joint owner or joint lessee can claim a maximum deduction of 5,000 kilometres in relation to their income producing use for each income year.

### Deductions under METHOD 2 - 12% of original value method

6. The deduction available to a taxpayer under the 12% of original value method is 12% of the cost of the car when they acquired it. Where a car is jointly owned, Subdivision 28-D allows the joint owner a deduction according to their share in the ownership of the car because each joint owner has not ‘acquired it’ - only a share of it. Therefore, each joint owner can deduct their share of 12% of the cost of the car (ie. where two joint owners – 6% each).

### Deductions under METHOD 3 - One-third of actual expenses method

7. The deduction available to a taxpayer under the one-third of actual expenses method is one-third of the car expenses they incur (excluding capital expenses) plus one-third of their share of the depreciation.

8. Where a car is jointly owned or jointly leased, expenses may have been incurred wholly by one of the joint owners or jointly with other joint owners. It depends on who has the legal liability for the expenses. A taxpayer who is a joint owner or joint lessee can deduct one-third of expenses wholly incurred by them and one-third of their share of jointly incurred expenses.

9. Where a car is jointly owned, depreciation is shared by the joint owners according to their respective interests in the car. A joint owner who uses the one-third of actual expenses method can deduct one-third of their share of the depreciation.

### Deductions under METHOD 4 - Log book method

10. As a matter of practice, the ATO accepts that deductions for joint owners under the log book method are calculated on the following basis:

$$\frac{\textit{Total kilometres travelled by the taxpayer in producing their assessable income}}{\text{total number of kilometres the car travelled in the period}} \; X \; \textit{total car expenses incurred (individually or jointly) by any of the joint owners} \quad \textit{plus total depreciation for the car for the period.}$$

**Amendment history**

| Date of amendment | Part | Comment |
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| 22 April 2014 | Contact details | Updated. |
| 6 December 2011 | Related public rulings | References to IT 2398 and TD 93/177 (withdrawn) removed |
| 28 April 2011 | Various | 'Tax Office' updated to 'ATO' as per Style Guide recommendations. |
| | Contact details | Updated. |
| 16 September 2008 | Contact details | Updated. |
| 7 April 2008 | Contact details | Updated. |
| 1 June 2004 | Various | Legislative references updated. |
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