PS LA 1999/2 - Calculating joint car expense deductions

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This Practice Statement explains how car expense deductions are calculated if the car is jointly owned, leased or hired under a hire purchase agreement.

This Practice Statement is an internal ATO document and an instruction to ATO staff.

Taxpayers can rely on this Practice Statement to provide them with protection from interest and penalties in the following way. If a statement turns out to be incorrect and taxpayers underpay their tax as a result, they will not have to pay a penalty, nor will they have to pay interest on the underpayment provided they reasonably relied on this Practice Statement in good faith. However, even if they do not have to pay a penalty or interest, taxpayers will have to pay the correct amount of tax provided the time limits under the law allow it.

1. How taxpayers should calculate a joint car expense deduction

For income years before 1 July 2015, taxpayers can use any one of the 4 calculation methods to calculate a joint car expense deduction:

- cents per kilometre
- 12% of the original value
- one-third of actual expenses
- logbook.

Only the first and last method apply from 1 July 2015.

A taxpayer should use only one method in any one income year in relation to a specific vehicle. However, each of the joint owners can use a different method to calculate their deductions if they wish.

2. Method 1 – cents per kilometre

Each joint owner or joint lessee can claim a maximum deduction of 5,000 kilometres for each income year. That limit applies to a particular taxpayer in relation to a particular car, not to the car itself. So, if each of the joint owners uses the car for separate income-producing purposes, they can each claim up to 5,000 kilometres.

3. Method 2 – 12% of the original value

If the taxpayer travels more than 5,000 work-related kilometres in the car during in an income-producing period, they can use Method 2 to calculate their deduction.

Method 2 allows each of the joint owners to claim a proportion of the original cost of the car, to a total of 12%. That is, if there are 2 joint owners, then they can each claim a deduction of 6% of the original cost of the car.

4. Method 3 – one-third of actual expenses

Like Method 2, Method 3 is only available to taxpayers who have travelled more than 5,000 work-related kilometres in the car in an income year.

Taxpayers using this method can deduct one-third of the car's expenses (whether wholly their own or incurred jointly with other owners or lessees; and not including capital expenses) plus one third of their share of the decline in value of the car.

5. Method 4 – logbook

If the taxpayer uses a vehicle logbook, it must state:

- when the logbook period begins and ends
- the car's odometer readings at the start and end of the logbook period
- the total number of kilometres that the car travelled
- the number of kilometres travelled for work
- the business use percentage.

For each logbook period, the taxpayer would calculate their deductions as:

(total kilometres the taxpayer travelled to produce their assessable income ÷ total number of kilometres the car travelled) × (total car expenses incurred + the decline in value for the period)

6. More information

For more information, see:

- Motor vehicle and car expenses
- Work-related car expenses calculator

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Sections 4 and 5	The term depreciation updated to ‘decline in value’.
Throughout	Content checked for currency and technical accuracy. Updated in line with current ATO style and accessibility requirements.

28 November 2017

Part	Comment
Contact details	Updated.

11 February 2016

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Section 1	Included dates when different calculations can be used.

21 May 2015

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All	Updated to new LAPS format and style.

22 April 2014

Part	Comment
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Related public rulings	References to IT 2398 and TD 93/177 (withdrawn) removed.

28 April 2011

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Various	'Tax Office' updated to 'ATO' as per Style Guide recommendations.
Contact details	Updated.

16 September 2008

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ATO references

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