

Car logbooks: Back to basics

Three recent Administrative Review Tribunal (ART) decisions on claims for car expenses have shone a light on what the law requires in relation to car logbooks.



Where you use your car for business purposes, there are two ways of making a claim – the cents per kilometre method for up to 5,000 business kilometres, or the logbook method based on the business percentage of your actual expenditure. The logbook method will generally result in a bigger deduction where your business use of the car is high and the actual car expenditure plus depreciation is significant. Bear in mind that travelling between home and work is not generally deductible.

To work out your business percentage, you can't just make an estimate. You need to maintain a logbook for a representative period of 12 weeks. Unless your work or personal circumstances change, the resulting business percentage can then continue to be applied for five years.

For each car journey made for business purposes during the 12-week period the logbook has to record:

- » The day the journey began and the day it ended
- » The car's odometer readings at the start and the end of the journey
- » The number of kilometres the car travelled on the journey
- » Why the journey was made

To calculate your deduction, you use the car's odometer readings at the start and end of the 12-week test period to work out the total number of kilometres travelled during the period and apply the total business kilometres recorded in the logbook to arrive at the business percentage.

Importantly, and this is something that is sometimes overlooked, the law requires that the record in the car logbook is made "at the end of the journey or as soon as possible afterwards". And this is where some taxpayers come to grief.

People are busy, and promise themselves they'll do it later, but the longer they wait the more likely they are to make mistakes. It's actually quite difficult to accurately recall various trips you think you must have made weeks ago, and the Tax Office can usually spot the difference between a genuine logbook that has been more or less contemporaneously completed and one that has been stitched together well after the event.

While recording all your car use every day for a twelve-week period may seem burdensome, once you've done it you're generally good for another 248 weeks, which isn't a bad trade-off. You also have some flexibility about which 12-week period you use.

The three taxpayers involved in the three ART decisions referred to above were seen by the Tax Office and the Tribunal as not having made contemporaneous logbook entries, having logbook odometer readings that were inconsistent with service records, having several versions of the logbook for the same test period and in one case being a complete fabrication.

In each of the three cases there were other reasons why their claims for car expenses failed, but the Tax Office will have noted the Tribunal decisions and must be more likely in future to critically examine logbooks supporting large car expense claims to ensure they comply with the law.

? It's never too late to fix these things, so if you have any doubts about the reliability of the logbook you are using to make your motor vehicle claim, come in and see us and we'll see if we can sort things out. 💰

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