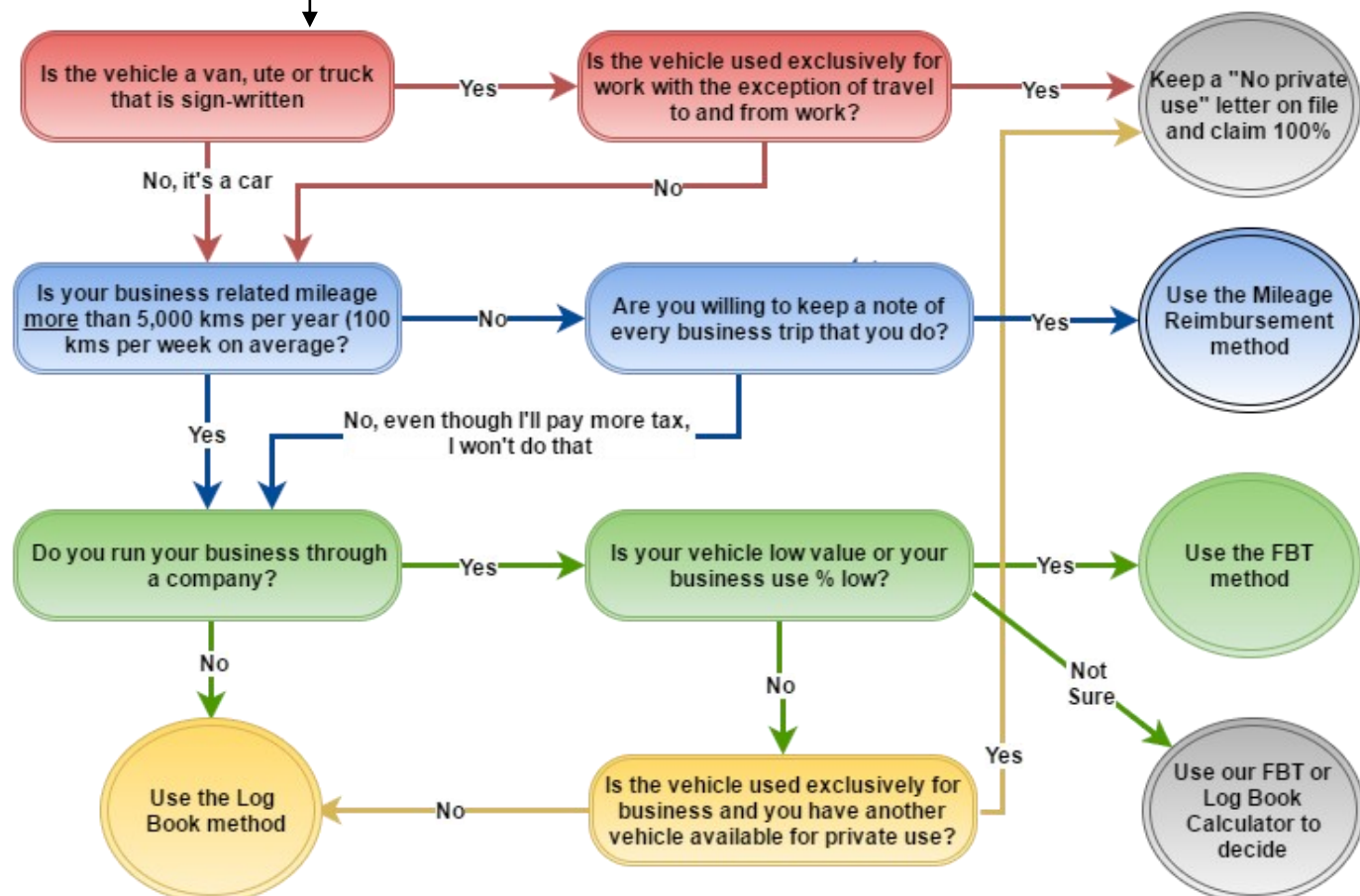


How to Claim Vehicle Expenses in your Small Business



The Mileage Reimbursement Method

- Don't put any vehicle or petrol expenses through the business bank account
- Keep a list of every business related trip and note the kms travelled
- Use a spreadsheet, a phone app or a notebook in the car and set a reminder to update it once a week from your diary
- Google will tell you the kms for any trip if you type in "distance" and then both addresses.

Business related trips include trips to the bank or the post office, visits to trade shows or your business advisor and trips to pick up supplies or stationery. If you chose to drop into the supermarket on the way or chose to go to the bank at 2:45 so that you can pick up the kids on the way back, it is still a business trip provided the personal element is incidental.

At the end of the year you can claim the total number of kms times the mileage rate (currently 74c per km).

The FBT Method

Under this method the company owns the car and you use it for business as a shareholder employee. If the company also 'allows' you to use the car after hours and at the weekend for private use then this is classed as a Fringe Benefit. An adjustment is made for this based on the value of the vehicle.

- Put all expenses related to the vehicle through the business bank account - all petrol, repairs, rego and insurance
- Keep a note of any days the vehicle is not available for private use - because it is in the shop for repair or because all the people who might drive it are out of town
- Let your accountant know the value of the vehicle, when it was purchased and how much was paid.

It makes no difference whether you use the vehicle privately or not. The Fringe Benefit is the fact that it is available for you to use privately if you wish.

The Log Book Method

- Put all expenses related to the vehicle through the business bank account - all petrol, repairs, rego and insurance
- Keep a log book for a representative three month period
- Record every trip in the log book and indicate whether it is business or personal (see blue box at left for description of business trips)
- Once the log book is complete, add up and divide the total business kms by the total overall kms. This is your business use %.
- At the end of the year your accountant will adjust back your vehicle expenses and GST to take out the private portion
- Repeat the three month log book every three years and any time the % business use changes by more than 20%.

This is a guideline only, contact Calculated Advantage Ltd or another adviser for specific advice on your situation.