



## MOTOR VEHICLE EXPENSES

If you're a sole trader or in a partnership and you use your own vehicle in the business, you can claim the running costs for income tax. If you use your own vehicle for both personal and business use, you'll need to make an adjustment to claim the business-use portion for income tax. If you use the vehicle strictly for business only, you can claim the full running costs, without making any adjustments. If you use the vehicle to travel between home and work, or any personal travel, you'll need to separate the running costs of your vehicle between business and private use. There are two options you can use - a vehicle logbook or a set mileage rate.

### Logbook

If you decide to use a logbook, you must keep it for at least three months every three years to work out the business share of your running costs. You'll need to record the distance, date and reason for the trip in the logbook. You can use the difference between the odometer readings at the start and end of the three months to work out the percentage of vehicle expenses you can claim.

An example of a logbook taken from 1 January 2013—31 March 2013. Odometer started at 15,165

Date	Journey From	To	Odometer	Finish	Total	Reason
7 Jan 2013	Workshop	Porirua	15,165	15,210	45	Seeing PU Ltd
9 Jan 2013	Workshop	Levin	15,718	15,918	200	Conference
6 Feb 2013	Workshop	Petone	16,485	16,525	40	Supplier
26 Mar 2013	Workshop	Waikanae	17,525	17,600	75	Callout
					360	

The final odometer reading on 31 March 2013 was 17,775. Total km's travelled during the period were 2,610. 360 were business related meaning the total business % is 13.8%. You can use the result of your three months' recording to claim the business share of your vehicle expenses over the next three years, provided your business use of the vehicle does not change by more than 20%.

### Mileage Rates

Alternatively, if you travel 5,000 km or less for business use in an income year, you may use Inland Revenue's mileage rate of 77 cents a kilometre to make a claim on your vehicle. This rate is for the 2013 tax financial year. The same information above is needed for the entire year.

### Company Cars

When a company owns a car, it claims all the expenses without making a private-use adjustment. The company must pay fringe benefit tax if a vehicle is available for private use by employees or shareholder-employees.

#### IMPORTANT:

*If you don't keep a vehicle logbook, qualify to use the mileage rate or maintain actual expenditure records, you may claim the lesser of actual use or 25% of the vehicle running costs as a business expense. You could be asked to prove the percentage claimed.*