

# PALFREYMAN

CHARTERED ACCOUNTANT

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Newsletter

WE UNDERSTAND LIFE IS ABOUT MORE THAN TAX.  
WHY NOT LET US MAKE YOUR LIFE EASIER?

IN THIS ISSUE – WHEN IS A CAR NOT A CAR?

## When is a Car Not a Car?

When dealing with tax, nothing is ever simple. Take the way you claim car expenses for work related travel. Rather than all cars being treated the same, it depends on whether you have a "non-commercial" car or a "commercial" vehicle. A non-commercial car can use two methods to claim a tax deduction – the set rate per kilometre method or the logbook method. A commercial vehicle can only use the logbook method.

So what makes a car a commercial vehicle? The most common answer is being a ute with a decent tray-carrying capacity.

If your ute has a 1 tonne carrying capacity (also known as pay load), then it is considered a commercial vehicle. Common examples include the Ford Ranger, Nissan Navara, Mazda BT-50 and Toyota Hilux.

To complicate matters, various models of these "commercial" vehicles have different carrying capacities. You need to check your model to see whether it has a 1 tonne carrying capacity (pay load) or not. You can normally find this in your vehicle hand book. Otherwise just contact us with your vehicles details and we can check this for you.



If you have a commercial vehicle and you want to claim a tax deduction you need to:

- ⇒ Keep a valid logbook for 12 consecutive weeks.

- ⇒ Record your odometer reading at 30 June each year.
- ⇒ Keep all your receipts for vehicle expenses including fuel.

A logbook must generally be started by 1 April 2017 if you wish to claim expenses for your 2017 tax. Assuming your circumstances don't change, the logbook is valid for up to 5 years. This means you only need to complete one logbook every 5 years, even if you change vehicles every year.

## Claiming Car Expenses for your Business?

So is there a difference between the way an employee claims a car expense or a sole trader in business? The answer is basically no.

The following rules apply to both employees and sole traders:

### Set Rate per Kilometre

- ⇒ For normal cars, you can claim up to 5,000 km travel at the ATO set rate for that year (2017 tax: 66 cents per km).
- ⇒ You don't need a logbook to use this method. A reasonable estimate is acceptable.
- ⇒ We generally find that clients underestimate the amount of tax deductible travel they do. Best to keep a diary or record the travel in your smart phone.

### Logbook Method

- ⇒ All vehicles can use the logbook method to claim tax deductible travel.
- ⇒ Normal cars can estimate their fuel costs based on total kilometres

travelled, average fuel consumption and average fuel price.

- ⇒ Commercial vehicles must keep receipts for all expenses including fuel. No estimates are allowed.
- ⇒ The logbook method often results in a larger tax deduction.
- ⇒ If you are using multiple vehicles, you need to keep a 12 week logbook for each vehicle at the same time.

If you are running a business through a company, trust or partnership, the rules are different. Why not contact us on 4990 3775 or email [enquiries@palfreyman.com.au](mailto:enquiries@palfreyman.com.au) to discuss your individual circumstances?

## IT Tip of the Month



Palfreyman Chartered Accountant has recently introduced a comprehensive IT support service that is now available to the general public. Our February tip is a reminder about the importance of backups:

- ⇒ Failed (or lack of) backups cost businesses over 1.7 trillion dollars per year.
- ⇒ Daily backups are essential.
- ⇒ You can use local or cloud based solutions but it is essential you keep a copy off site.

Why not call us today on 02 4990 3775 or email [enquiries@palfreyman.com.au](mailto:enquiries@palfreyman.com.au) to see how we assist with your IT needs?

# Latest in Tax News

Keep up to date with the latest in tax information news with our simple reminders.

Below are some tips for employees:

- ⇒ If you have trouble keeping track of your receipts, try taking a photo of them with your phone. You can then organise them at tax time.
- ⇒ Prefer an app? Why not try the free ATO app "myDeductions"? (<https://www.ato.gov.au/General/Online-services/In-detail/myDeductions/myDeductions/>)
- ⇒ If you are claiming vehicle expenses for travel with "bulky tools" and no secure lockup facilities be warned. If selected for an audit, the ATO will contact your employer to confirm this.
- ⇒ Did you know the test for "bulky tools" is often whether you could take the tools on a bus? A laptop or brief case would generally not qualify but a 20 kg tool box could.



- ⇒ Visiting clients on the way to work? Did you know you can claim the entire trip from home to work as a tax deduction if you have the right records?
- ⇒ Travelling between work places? Are you aware that you can claim your vehicle costs when travelling directly between jobs?
- ⇒ Are you a student? If your course is directly related to your current job you are eligible to claim travel from

home to Uni/TAFE or from work to Uni/TAFE. Just remember that only the first leg of the trip qualifies unless you are travelling from home to Uni/TAFE return.

- ⇒ Attending an overnight training course for your current job? Did you know you can claim travel, accommodation and food costs?

Need help understanding more about any of these topics? Why not ring us on 02 4990 3775 to discuss?

## Client Feature

We are so proud of **James Bennett** for his amazing contribution to society. James has been a Board member of Guide Dogs NSW/ACT for over 6 years and has just been awarded the Medal of the Order of Australia for his contribution to the blind and low vision community.

James is a Disability Service Auditor and now travels around the country with his trusty Guide Dog "Brogan". Together they have made nearly 300 domestic flights around Australia which is more travel than our average client!

James has been a client for nearly 9 years and first visited us in 2008 with his wife and first Guide Dog "Putu".

Putu, a black Labrador, was perfectly



behaved in the office and his manners definitely put most dogs to shame.

When asked if we could pat Putu, James removed the harness and Putu instantly turned into a puppy. He bounded over for a cuddle and lots of pats. When the harness was replaced, Putu returned to his serious Guide Dog self. Putu was definitely a legend and Brogan is continuing in this role.

James is an inspiration to us all. He manages to travel around the country with only Brogan as his companion, uses technology to allow him to work despite being totally blind, and is loved and respected by his family. Despite all this, James still finds time to assist others via his volunteer work.

If you are looking for a role model, then James would definitely qualify!



Would you like to appear in our client feature? Simply send us an email indicating your interest and you could be our next featured client.