



## Media release

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### ATO puts the brakes on dodgy car claims

The Australian Taxation Office (ATO) is making work-related car expenses a key focus again during Tax Time 2019. This follows warnings by the ATO last year that work-related car expenses would face greater scrutiny.

Assistant Commissioner Karen Foat said, over 3.6 million people made a work-related car expense claim in 2017–18, totalling more than \$7.2 billion.

“We are still concerned that some taxpayers aren’t getting the message that over-claiming will be detected and if it is deliberate, penalties will apply,” she said.

“While some people do make legitimate mistakes, we are concerned that many people are deliberately making dodgy claims in order to get a bigger refund. We see taxpayers claiming for things like private trips, trips they didn’t make, and car expenses their employer paid for or reimbursed them for.”

“Doing the wrong thing is not victimless. When you claim a refund you’re not entitled to, you’re stealing from the whole community and disadvantaging those who do the right thing,” Ms Foat said.

One in five car claims are exactly at the maximum limit that doesn’t require receipts. Under the cents per kilometre method, taxpayers don’t need to keep receipts, but they do need to be able to demonstrate how they worked out the number of kilometres they travelled for work purposes.

“While some claims of exactly 5,000 km are legitimate, we’ve found many people are unable to show how they’ve arrived at this amount, and as a result they’ve had their claim reduced or disallowed in full,” Ms Foat said.

The ATO’s sophisticated analytics compares taxpayer claims with others earning similar amounts in similar jobs. Where the ATO identifies questionable claims we will contact taxpayers and ask them to show how they have calculated their claim. In some cases, where further scrutiny is warranted, the ATO may even contact employers to confirm whether a taxpayer was required to use their own car for work-related travel.

“Simply driving between work and home is not enough to warrant a deduction. You must have a work-related need to travel while performing your job, like traveling from site to site or be required to transport bulky tools,” Ms Foat said.

There are three golden rules for taxpayers to remember to get it right when it comes to car expenses:

One – generally, trips between home and work cannot be claimed, unless you are required to transport bulky equipment;

Two – don’t ‘double dip’ by claiming car expenses paid for or reimbursed by your employer; and

Three – make sure you keep records to prove how you worked out your claim.

## Making a claim for car expenses

There are two ways to calculate a deduction for car expenses – the cents per kilometre method which limits claims to a maximum of 5,000 kilometres, and the log book method where claims are worked out using the percentage of work use of your car and actual expenses.

### Cents per kilometre

You don't need receipts but you need to be able to show how you worked out your business kilometres (for example, by producing diary records of your work-related trips). If you use the cents per kilometre method, your claim is based on a set rate (68c per kilometre from 1 July 2018) for each work-related kilometre travelled. You can claim a maximum of 5,000 kilometres per car.

The cents per kilometre method is there to simplify record-keeping, not to provide a free ride and if your claim is reviewed we will ask you to show how you have calculated your claim as well as provide details of your work-related car travel.

### Logbook

If you use the logbook method your claim is based on the percentage of work use of your car and your actual expenses. To make a claim using this method you need to keep a logbook as well as records of your car expenses.

Your logbook must be kept for a minimum continuous period of 12 weeks and be broadly representative of your work-related car travel throughout the year. When keeping a logbook, you need to record odometer readings at the start and end of each journey as well as the journey's purpose. You will also need to keep a record of your odometer readings at the start and end of each income year.

When calculating your car expenses you can use your receipts to claim fuel and oil costs, or you can estimate your expenses based on odometer readings for the period in which you used the car. For all other car expenses you claim, you must keep receipts. You will also need to keep details of how you calculated your claim for decline in value of your car.

### For more information

For more information about work-related car expenses, visit [ato.gov.au/carexpenses](https://ato.gov.au/carexpenses)

The ATO has developed the myDeductions tool in the ATO app. The app can help make keeping records easier. The app is particularly useful for people who use their car for work, as it helps them track trips using GPS, point-to-point, or the odometer method. At tax time this data can be sent directly to a tax agent or uploaded into myTax.

## Case studies

The ATO's sophisticated data analytics found a range of unsupported claims in 2018. Claims by taxpayers that triggered additional scrutiny and ATO action included:

A claim of \$4,800 using the log book method triggered a red flag. When we asked the taxpayer to provide the logbook to support the claim, we found the taxpayer was referring to a car service logbook rather than a logbook kept for calculating their work use car percentage. The taxpayer had not undertaken any work-related car travel during the year.

Another claim was flagged after analytics indicated taxpayers with similar occupations, salaries and in similar locations had not made claims for car expenses. We found that the taxpayer, a retail worker, had incorrectly claimed \$350 for the cost of public transport to and from work.

We also identified an office worker claiming \$3,300 for 5000 kilometres of work-related travel using the cents per kilometre method. The taxpayer advised that his employer did not require him to use his car for work and that his claim was based on trips he made from home to work.

In each case, the claims were disallowed as the expenses were private and not substantiated.