



ATO increases car expenses deduction rate

Small businesses with low annual travel distances will benefit from the ATO's new increased cents per kilometre rate for cars, from 68 cents to 72 cents. The new rate has been effective since 1 July 2020.

WHAT IS THE CENTS PER KILOMETRE METHOD?

You can claim deductions using the cents per kilometre method if you are a sole trader or partnership. The cents per kilometre method is calculated using a set rate for each kilometre travelled for business purposes. This rate takes all of your vehicle running expenses (including registration, fuel, servicing and insurance) and depreciation into account, and currently sits at 72 cents per kilometre for 2020-21.

CLAIMING REQUIREMENTS

The ATO allows you to claim a maximum of 5000 business kilometres per car in a year and does not require written evidence to show the exact distance travelled. However, the ATO may ask you to show how you worked out your business kilometres, for example, with diary records.

Keep in mind that the cents per kilometre method is only applicable when using a car. According to the ATO, a car is a motor vehicle designed to carry both a load less than one tonne and a maximum of nine passengers.

Please give your Accountant a call directly to see how this may apply to your particular circumstances or if you have any questions.

A tailored approach for each business is recommended so call us for assistance and advice on 4927 4588 (Rockhampton) or 4939 1766 (Yeppoon) to see how we can help.

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