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Inserts for
**Tax and Superannuation Laws
Amendment (2015 Measures No. #) Bill
2015: Simplifying the car expense
deduction rules**

Commencement information		
Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
1.		
2. Schedule #	The day this Act receives the Royal Assent.	
3.		

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Schedule #—Simplifying the car expense deduction rules

Part 1—Main amendments

Income Tax Assessment Act 1997

1 Subsection 28-25(1)

Repeal the subsection, substitute:

- (1) To calculate your deduction using the “cents per kilometre” method, use this formula:

$$\frac{\text{Number of *business kilometres travelled by the *car in the income year}}{\text{Rate of cents/kilometre determined under subsection (4) for the car for the income year}} \times$$

2 At the end of section 28-25

Add:

- (4) For the purposes of subsection (1), the Commissioner may, by legislative instrument, determine rates of cents per kilometre for cars for an income year.
- (5) In determining a rate, the Commissioner must have regard to the average operating costs for the cars to be covered by that rate.

Note: Examples of operating costs include fixed costs such as registration, insurance and depreciation, and variable costs such as fuel and maintenance.

3 Subdivisions 28-D and 28-E

Repeal the Subdivisions.

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1 Part 2—Other amendments

2 *Fringe Benefits Tax Assessment Act 1986*

3 **4 Paragraph 19(1)(d)**

4 Repeal the paragraph, substitute:

5 (d) if:

6 (i) paragraph (ca) does not apply; and

7 (ii) the loan fringe benefit is a car loan benefit in respect of
8 a car held by the recipient during a period (the *holding*
9 *period*) in the year of tax;

10 the recipient gives a declaration to the employer, before the
11 declaration date and in a form approved by the
12 Commissioner, that purports to set out:

13 (iii) the holding period; and

14 (iv) the number of whole business kilometres travelled by
15 the car during the holding period; and

16 (v) the number of whole kilometres travelled by the car
17 during the holding period;

18 **5 Subparagraph 19(1)(g)(ii)**

19 Repeal the subparagraph.

20 **6 Paragraph 19(1)(h)**

21 Repeal the paragraph.

22 **7 Subsections 19(3) and (4)**

23 Repeal the subsections.

24 **8 Paragraph 24(1)(f)**

25 Repeal the paragraph, substitute:

26 (f) if:

27 (i) paragraph (ea) does not apply; and

28 (ii) the expense payment fringe benefit is a car expense
29 payment benefit in respect of a car held by the recipient
30 during a period (the *holding period*) in the year of tax;

31 the recipient gives a declaration to the employer, before the
32 declaration date and in a form approved by the
33 Commissioner, that purports to set out:

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- 1 (iii) the holding period; and
2 (iv) the number of whole business kilometres travelled by
3 the car during the holding period; and
4 (v) the number of whole kilometres travelled by the car
5 during the holding period;

6 **9 Subparagraph 24(1)(j)(ii)**

7 Repeal the subparagraph.

8 **10 Paragraph 24(1)(k)**

9 Repeal the paragraph.

10 **11 Subsections 24(7) and (8)**

11 Repeal the subsections.

12 **12 Paragraph 44(1)(e)**

13 Repeal the paragraph, substitute:

14 (e) if:

- 15 (i) paragraph (da) does not apply; and
16 (ii) the property fringe benefit is a car property benefit in
17 respect of a car held by the recipient during a period (the
18 ***holding period***) in the year of tax;
19 the recipient gives a declaration to the employer, before the
20 declaration date and in a form approved by the
21 Commissioner, that purports to set out:
22 (iii) the holding period; and
23 (iv) the number of whole business kilometres travelled by
24 the car during the holding period; and
25 (v) the number of whole kilometres travelled by the car
26 during the holding period;

27 **13 Subparagraph 44(1)(h)(ii)**

28 Repeal the subparagraph.

29 **14 Paragraph 44(1)(j)**

30 Repeal the paragraph.

31 **15 Subsections 44(3) and (4)**

32 Repeal the subsections.

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16 Paragraph 52(1)(e)

Repeal the paragraph, substitute:

(e) if:

- (i) paragraph (da) does not apply; and
- (ii) the fringe benefit is a car residual benefit in respect of a car held by the recipient during a period (the *holding period*) in the year of tax;
the recipient gives a declaration to the employer, before the declaration date and in a form approved by the Commissioner, that purports to set out:
 - (iii) the holding period; and
 - (iv) the number of whole business kilometres travelled by the car during the holding period; and
 - (v) the number of whole kilometres travelled by the car during the holding period;

17 Subparagraph 52(1)(h)(ii)

Repeal the subparagraph.

18 Paragraph 52(1)(j)

Repeal the paragraph.

19 Subsections 52(3) and (4)

Repeal the subsections.

20 Subsection 136(1) (definition of *basic car rate*)

Repeal the definition, substitute:

basic car rate, for a car for a year of tax ending on 31 March in a year, means the rate determined under subsection 28-25(4) of the *Income Tax Assessment Act 1997* for the car for the year of income ending on 30 June in that year.

Income Tax Assessment Act 1997

21 Section 12-5 (table item headed “car expenses”)

Omit:

“one-third of actual expenses” method Subdivision 28-E

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1 **22 Section 12-5 (table item headed “car expenses”)**

2 Omit:
“12% of original value” method Subdivision 28-D

3 **23 Section 28-5**

4 Repeal the section, substitute:

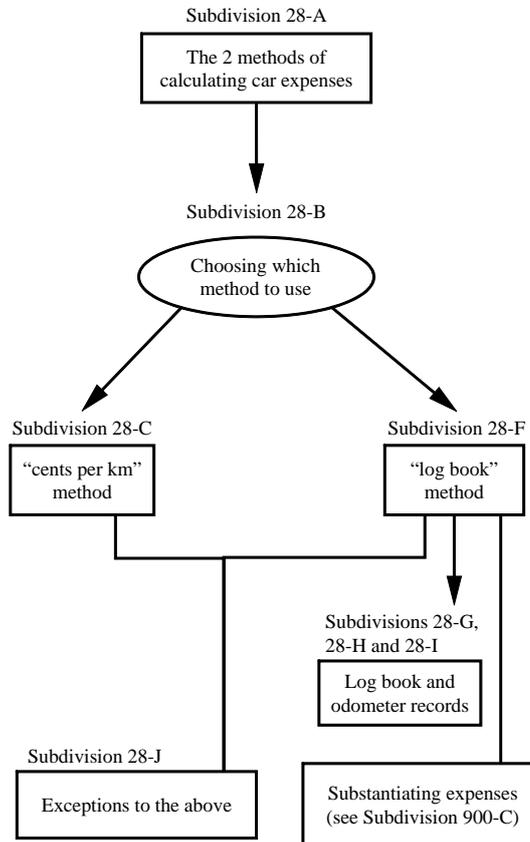
5 **28-5 Map of this Division**

*Section 28-12
contains the basic
operative provision.*

*Choosing the best method
is up to you. Hence it is
important to understand
the methods and how
they differ.*

*The “log book” method
is more complicated
because it involves
further Subdivisions
about log books and
odometer records.*

*The exceptions cover
unusual cases which
will not apply to
most taxpayers.*



6

7 **24 Section 28-12**

8 Omit “4 methods” (wherever occurring), substitute “2 methods”.

9 **25 Subsection 28-12(2)**

10 Omit “any of the methods”, substitute “either of the methods”.

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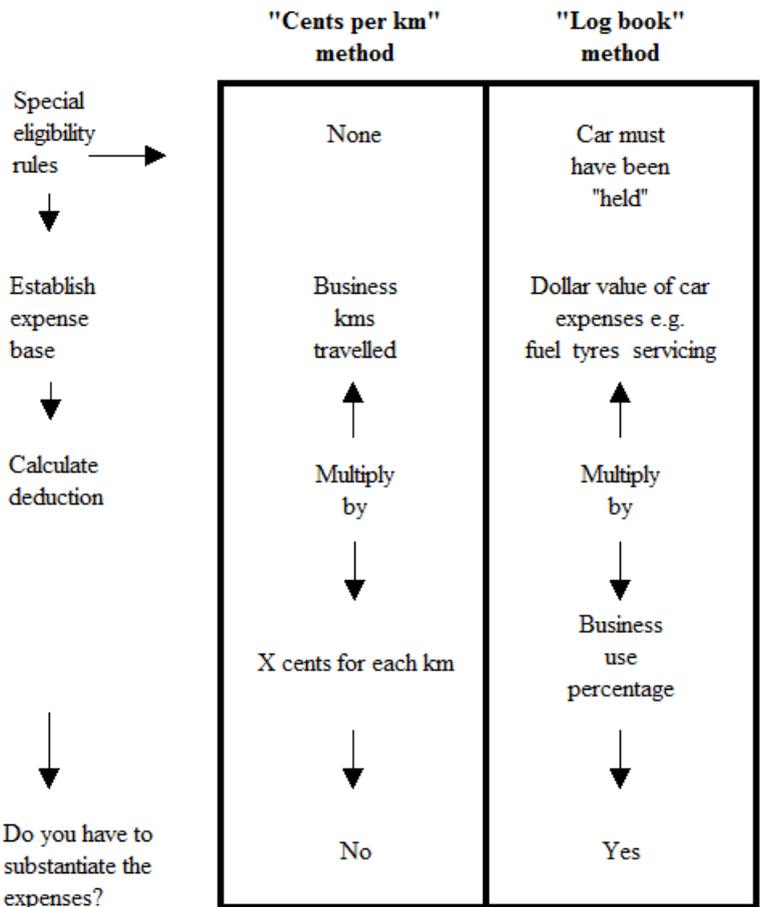
1 **26 Section 28-15**

2 Repeal the section, substitute:

3 **28-15 Choosing between the 2 methods**

4 (1) Below is a diagram giving information about the 2 methods of
5 calculating car expense deductions.

6 (2) The 2 methods give you the choice of which method best suits your
7 situation and needs. For instance, one method may involve more
8 paperwork than the other, but could give you bigger deductions.



9

10 **27 Subsection 28-20(1)**

11 Omit "any other method", substitute "the other method".

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28 Subdivision 28-J (heading)

Repeal the heading, substitute:

Subdivision 28-J—Situations where you cannot use, or don't need to use, one of the 2 methods

29 Section 28-160

Omit "any of the 4 methods", substitute "either of the 2 methods".

30 Subsections 28-165(1), 28-170(1) and (2), 28-175(1) and (2), and 28-180(2) and (3)

Omit "4 methods", substitute "2 methods".

31 Subsection 40-25(6)

Repeal the subsection.

32 Section 40-55

Repeal the section, substitute:

40-55 Use of the "cents per kilometre" car expense deduction method

You cannot deduct any amount for the decline in value of a *car for an income year if you use the "cents per kilometre" method for the car for that year.

Note: See Subdivision 28-C for that method.

33 Paragraph 40-370(1)(c)

Repeal the paragraph, substitute:

(c) you chose the "cents per kilometre" method in Subdivision 28-C for deducting your car expenses for the car for one or more other income years.

34 Subsection 40-370(1) (note 1)

Omit "or the "one-third of actual expenses" method".

35 Subsection 40-370(1) (note 2)

Omit "or the "12% of original value" method".

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36 Subsections 40-370(3) and (4)

Repeal the subsections, substitute:

- (3) In working out the *adjustable value for the income years for which you chose the “cents per kilometre method”, assume the decline in value was calculated under this Division on the same basis as those income years when that method did not apply.
- (4) In working out the reduction in step 2 for the income years for which you chose the “cents per kilometre method”, assume that:
- (a) you had not chosen that method for the *car; and
 - (b) Division 28 (about car expenses) had not applied to the car; and
 - (c) 20% was the extent of your use of the car for *taxable purposes.

37 Paragraph 41-10(3)(a)

Repeal the paragraph.

38 Subsection 900-70(1)

Omit “the “one-third of actual expenses” method or”.

39 Subsection 900-70(1)

Omit “Subdivision 28-E tells you about the “one-third of actual expenses” method and”.

40 Subsection 900-70(2)

Repeal the subsection.

41 Subsections 900-250(1) and (2)

Omit “4 methods”, substitute “2 methods”.

42 Subsection 900-250(4)

Repeal the subsection.

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1 **Part 3—Application and transitional provisions**

2 **43 Application of amendments**

3 (1) Subject to subitems (2) and (3), the amendments made by this Schedule
4 apply in relation to the 2015-16 income year and later income years.

5 (2) The amendments of the *Fringe Benefits Tax Assessment Act 1986* made
6 by this Schedule apply in relation to the 2016-17 FBT year and later
7 FBT years.

8 (3) Despite the amendments of section 40-370 of the *Income Tax*
9 *Assessment Act 1997* made by this Schedule, that section continues to
10 apply, in relation to a balancing adjustment event, as if those
11 amendments had not been made if:

12 (a) that balancing adjustment event occurs at or after the start of
13 the 2015-16 income year for a car you held; and

14 (b) you chose the “12% of original value” method in former
15 Subdivision 28-D of that Act for deducting your car expenses
16 for the car for one or more earlier income years.

17 **44 Transitional—initial rate of cents per kilometre**

18 Treat the Commissioner as having determined, under
19 subsection 28-25(4) of the *Income Tax Assessment Act 1997* (as inserted
20 by this Schedule), the rate of 66 cents per kilometre for all cars for the
21 2015-16 income year.