



Australian Government

The Treasury

MODERNISING WORK-RELATED CAR EXPENSES

SUMMARY OF CONSULTATION PROCESS

The Government announced in the 2015-16 Budget that the methods used for calculating work-related car expense deductions would be modernised.

This measure was included in Tax and Superannuation Laws Amendment (2015 Measures No.5) Bill 2015, which was introduced into Parliament on 15 October 2015.

Consultation process

Consultation on the exposure draft and explanatory material was conducted between 16 July 2015 and 5 August 2015. Six formal submissions were received (five not confidential, one confidential), and one informal discussion was held.

Summary of key issues

The submissions included the following views:

- Support for reducing the number of methods;
- Concern that the rate of cents per kilometre should not be reduced to 66 cents (with an alternative suggestion of 75 cents).
- Concern that lower-paid professions such as aged care workers and teachers would be impacted.
- Concern that compliance costs would increase due to using the log book method, however one submission noted that modern technology is making it easier to use the logbook method.
- Questions over whether a variety of cars were used to calculate the 66 cents rate; and
- Uncertainty with the changes having already taken effect but not yet having been legislated.

As a result of the submissions received, no changes were made to the legislation. The rate of 66 cents per kilometre for the cents per kilometre method was appropriately calculated based on industry data. The rate is calculated based on the average running costs in New South Wales and Queensland of the five most popular selling cars in Australia – including a small Toyota Camry and a large Toyota Hilux. Those users who feel that the new rate is less than they have previously utilised are able to switch to the logbook method.

While those users who switch to the logbook method may initially face additional compliance costs, modern technology ensures that keeping records of work-related travel is much easier. Furthermore, a logbook need only be kept for a consecutive period of 12 weeks, and this is then able to be used for a period of up to five income years.

Other concerns expressed during the consultation period related to the uncertainty that arises as a result of delays in introducing an announced Budget measure, and did not relate directly to the proposed draft legislation.