

Submission re Modernising the calculation of work related car expense deductions

I make the following submission as a private individual, based on information and observations gained as the accountant for a large P-12 school. Please note that this submission has not been seen or endorsed by my employer.

The premise of my submission is that any change to current methodologies for car expense deductions should not place taxpayers in a materially worse off situation.

I agree with the proposal to reduce the number of methods for car expense deductions from four to the two methods nominated. I also agree that there should be one standard rate for deductions under the Cents Per Kilometre method, regardless of a taxpayer's vehicle engine size.

However, I submit that it is blatantly unfair to reduce the per kilometre rate from the existing 76 cents (for 1600cc to 2600cc vehicles) or 77 cents (for 2600cc & over vehicles) down to a flat rate of just 66 cents. This represents an approx. 15% reduction in a time of constantly rising costs for motorists.

The vast majority of the 200+ staff at our school drive vehicles that are in excess of 1600cc capacity. Many of them make claims for the work related use of their vehicles due to the nature of their jobs as teachers and support staff. The school does not reimburse staff for vehicle mileage. Hence, they can only claim annually for these costs via their tax returns, and primarily use the Cents Per Kilometre method for its simplicity.

Recommendation:

In the interests of fairness and equity, I propose that the flat rate should be introduced at a minimum **75 cents per kilometre**. I further propose that this rate be indexed annually in line with either the general CPI (or a specific CPI based on motoring costs if one exists).

Regards

Mark Sutton