



Helping you start, manage and grow your business

Claim business expenses for the use of a private vehicle

Do you use a private vehicle for business purposes? For business where a personal vehicle is used for business purposes you may claim a portion of the running costs. This article will help you investigate if you meet the criteria for compensation, how to use a logbook to document travel, and how to calculate the portion of expenses to claim back.

Calculating the business portion of vehicle running costs

- If you are a sole trader or in a partnership and you use your own vehicle in the business, you can claim the running costs for income tax.
- If you use the vehicle strictly for business, you can claim the full running costs, without making any adjustments.
- If you use the vehicle to travel from home to work, or any personal travel, you will need to separate the running costs of your vehicle between business and private use. (Travel between home and work is not classed as business use.)

When a company owns a car, it claims all the expenses without making a private use adjustment. However, the company must pay fringe benefit tax if the vehicle is available for employees' or shareholder-employees' private use. The company will also have to calculate GST on the fringe benefit (see our fringe benefit tax (FBT) section under Businesses).

Using a logbook

To work out the business share of running costs, you must keep a logbook for at least three months every three years. You will need to record the distance, date and reason for the trip in the logbook. You can use the difference between the odometer readings at the start and end of the three months to work out the percentage of vehicle expenses you can claim. See the example below:

Sometimes Ross has to use his own car for his plumbing business. The details Ross recorded in his logbook are as follows.

Vehicle logbook (3-month period) 1/1/06-31/3/06			Meter reading (at start of period): 15,165				
Date	Journey		Meter reading			Reason for trip	
	From	To	Start	Finish	Dist.(km)		
1/1/06	Workshop	Porirua	15,165	15,210	45	Business - Seeing P.U. Ltd	
5/1/06	Workshop	Levin	15,718	15,918	200	Business - Plumber's Guild conference	
6/2/06	Workshop	Petone	16,485	16,525	40	Business - Supplier XYZ	
26/3/06	Workshop	Waikanae	17,525	17,600	75	Business - Call out at Joe Blog's	
Business distance					360	Final meter reading	17,775
Total distance travelled					(17,775-15,165)		2,610

Total distance travelled in three months: 2,610 km

Distance travelled for business 360 km

$360 \text{ divided by } 2,610 \times 100 = 13.8\%$

Ross can claim 13.8% of his vehicle expenses as a business expense.

- You can use the result of your three months' recording to claim the business share of your vehicle expenses over the next three years, provided your business use of the vehicle does not change by more than 20%.
- You should still keep records of the total vehicle running costs and record the total distance travelled for the income tax year.
- If you do not keep a vehicle logbook you may claim up to 25% of the vehicle running costs as a business expense. However, you could be asked to substantiate the percentage claimed.
- Alternatively, you may use Inland Revenue mileage rates to make a claim on your vehicle.

This information is brought to you by Inland Revenue