



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

5 August 2015

Mr Tom Reid
General Manager
Law Design Practice
The Treasury
Langton Crescent
PARKES ACT 2600

Email: taxlawdesign@treasury.gov.au

Dear Mr Reid,

Modernising the calculation of work related car expense deductions

Chartered Accountants Australia and New Zealand (Chartered Accountants ANZ) welcomes the opportunity to make a submission on the exposure draft of Tax and Superannuation Laws Amendment (2015 Measures No.#) Bill 2015: Simplifying the car expense deduction rules (**ED**) and the accompanying explanatory material (**EM**).

Chartered Accountants ANZ is made up of over 100,000 diverse, talented and financially astute professionals who utilise their skills every day to make a difference for businesses the world over. Our members are known for professional integrity, principled judgment and financial discipline, and a forward-looking approach to business. We focus on the education and lifelong learning of members, and engage in advocacy and thought leadership in areas that impact the economy and domestic and international capital markets.

We are represented on the Board of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance, and Chartered Accountants Worldwide, which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

General comments

At the outset, Chartered Accountants ANZ supports measures that reduce complexity and the compliance burden in the Australian tax law.

Some members have however pointed out to us that the two car expense methods to be repealed – the 12% of original value method and the one-third of actual expenses method – are in fact quite simple methods for taxpayers (and their advisers) to apply. They are also relatively easy to substantiate for compliance purposes. It is surprising to us that these methods are not more extensively used.

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There is also a feeling amongst some members that the log book is comparatively more onerous, although new technology is now making it easier to keep such records. Anecdotal evidence suggests that some taxpayers are however prone to overstate the extent of work-related travel when completing their log books.

We also query whether the initial rate of 66 cents chosen for the cents per kilometre method is the appropriate rate to reflect the average actual cost associated with work-related car use.

According to the EM (paragraph 1.7), 66 cents is the average per kilometre running cost of the top five selling cars based on data from peak motoring bodies. We are concerned that using average cost data from the top selling five cars is too small a sample if the cents per kilometre rate is meant to reflect the average actual cost of work-related car use.

We also note that individuals using larger cars, i.e. greater than 1.6L engine capacity, and currently using the cents per kilometre method, will be adversely affected by the chosen rate of 66 cents which is contradictory to paragraph 1.4 of the EM. This paragraph states:

“These changes are not expected to adversely affect the vast majority of taxpayers who currently utilise the two methods which will be retained; the cents per kilometre method and the logbook method.”

Furthermore, employers that currently reimburse employees for business kilometres and use the current ATO rates per business kilometre as the “reasonable cost” may attempt to reduce what they pay employees from 76/77 cents per kilometre to 66 cents per kilometre. This will also financially disadvantage employees who use larger cars for work.

Finally, based on feedback we have received, using 66 cents as the initial rate will encourage some individuals with larger cars (who were using the cents per kilometre method) to use the log book method instead to calculate their car expenses deduction, thus potentially increasing the amount of future deductions claimed for car expenses.

If you wish to discuss our submission or have any further queries, please contact me via email at: michael.croker@charteredaccountantsanz.com; or telephone (61) 2 9290 5609.

Yours sincerely



Michael Croker
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