

EXPOSURE DRAFT

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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:

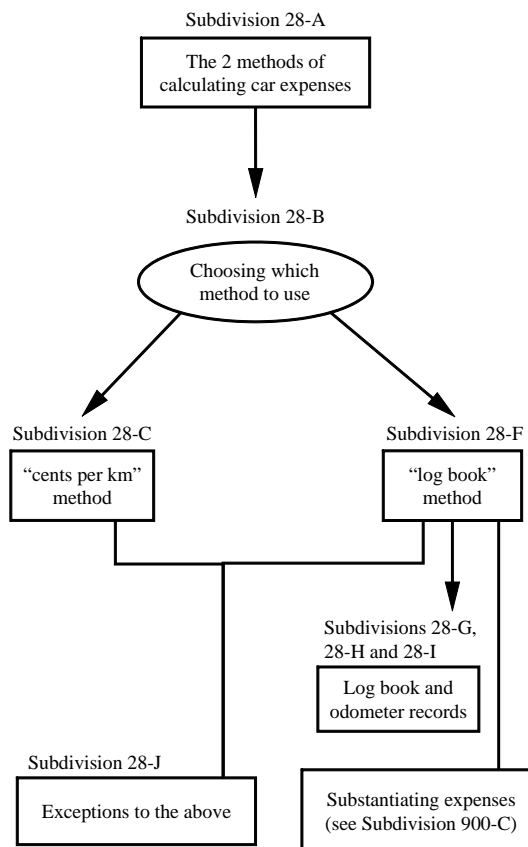
5 **28-5 Map of this Division**

*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”.

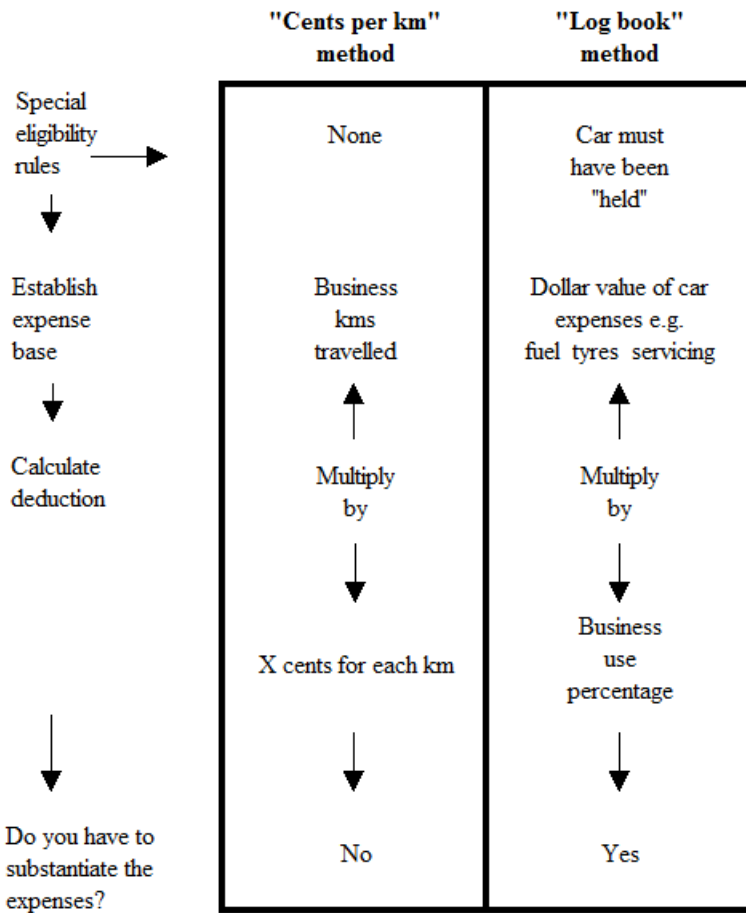
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1 **26 Section 28-15**

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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1 **36 Subsections 40-370(3) and (4)**

2 Repeal the subsections, substitute:

3 (3) In working out the *adjustable value for the income years for which
4 you chose the “cents per kilometre method”, assume the decline in
5 value was calculated under this Division on the same basis as those
6 income years when that method did not apply.

7 (4) In working out the reduction in step 2 for the income years for
8 which you chose the “cents per kilometre method”, assume that:

9 (a) you had not chosen that method for the *car; and

10 (b) Division 28 (about car expenses) had not applied to the car;
11 and

12 (c) 20% was the extent of your use of the car for *taxable
13 purposes.

14 **37 Paragraph 41-10(3)(a)**

15 Repeal the paragraph.

16 **38 Subsection 900-70(1)**

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

18 **39 Subsection 900-70(1)**

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

21 **40 Subsection 900-70(2)**

22 Repeal the subsection.

23 **41 Subsections 900-250(1) and (2)**

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

25 **42 Subsection 900-250(4)**

26 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.