



Car allowances

Rather than provide a company car, some organisations choose to compensate an employee on a per kilometre basis for the business use of their privately owned or leased vehicle. Such payments are not subject to FBT, but are treated as part of the employee's assessable income and must be shown as such on their payment summary.

Employees will generally be required to maintain appropriate records to support a claim for an income tax deduction for the work-related use of their own vehicle.

Tax deduction rates for cars

Tax deduction rates per kilometre for business use of an employee's car are based on the rates of motor vehicle allowance for the Commonwealth Public Service. Up to a maximum of 5,000 business kilometres can be claimed per car. For the 2010/2011 income tax return year the rates are as follows.

Table 6.1 Kilometre rates – 2010/2011

Ordinary vehicles engine capacity	Rotary engine capacity	Rate (cents/km)
1600 cc or less	800 cc or less	63
1601 to 2600 cc	801 to 1300 cc	74
2601 cc and over	1301 cc and over	75

The rates for 2011/2012 were not available at the time of publication.

Tax deduction rates for non-car motor vehicles

The tax deduction rates to be applied to vehicles other than a car are shown in Table 6.2.

Table 6.2 Kilometre rates

Engine capacity	Rate (cents/km)	
	2010/2011	2011/2012
Up to 2500cc	45	46
Over 2500cc	54	55
Motorcycles	14	14