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What to consider when purchasing expensive cars for your business?

For tax purposes, expensive/luxury cars are those with GST inclusive value higher than a certain threshold determined by the Australian Taxation Office (currently \$57,581).

When it comes to claiming GST and tax deduction for luxury cars, there are some special rule and restrictions that are worth-noted:

GST Limit

The maximum GST credit that the business can claim is one-eleventh of the luxury car threshold, that is \$5,234 for the current year (i.e. $1/11 \times \$57,581$).

This GST credit will be further reduced if the car is also used for private purposes.

Luxury car tax

Luxury car tax included in the price of the car is not claimable.

Car depreciation limit

For depreciation purposes, the acquisition cost is also deemed to be \$57,581 (luxury car threshold) instead of the actual purchase cost.

How to maximise deductions

Good record-keeping is the key!

Keep a log-book to substantiate the business-use percentage of the car. The log-book must contain the following information:

- When the logbook period begins and ends
- The car's odometer readings at the start and end of the logbook period
- The number of kilometres the car travelled during the logbook period
- The business-use percentage for the logbook period ▶

- The number of kilometres travelled for each journey recorded in the logbook (if you made two or more journeys in a row on the same day, you can record them as a single journey) You will need to record the:
 - start and finishing dates of the journey
 - odometer readings at the start and end of the journey
 - kilometres travelled
 - reason for the journey

You should also keep written evidence for car expenses including fuel, oil, repairs and maintenance, insurance, rego and all other expenses.■

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