

2014 Claiming Business Expenses: Mileage Rate

Mileage rate for self-employed people and reimbursing employees

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Mileage rate for self-employed people

If you're self-employed you can use our mileage rate to calculate the cost of using your motor vehicle for business purposes.

Standard mileage rate for motor vehicles

The mileage rate for motor vehicles is 77 cents per kilometre.

Rates apply to each income tax year (1 April – 31 March). If you have a non-standard balance date the rate applies from the beginning of your relative income year.

You can use this rate for up to a maximum of 5,000 km of work-related travel per year. For distances greater than 5,000 km, you must keep a record of actual vehicle expenses.

The rate applies irrespective of engine size or whether your vehicle is powered by a petrol or diesel engine. The mileage rate does not apply to motor cycles.

Calculating business motor vehicle use if you're self-employed

There are three ways you can calculate the proportion of business use of your motor vehicle:

- actual costs
- a logbook, or
- a mileage rate for distances of 5,000 km or less a year.

Actual costs

If you believe your vehicle costs are higher than the rates given you can use the actual costs option.

You can claim deductions on your actual costs including depreciation loss for the business use of your motor vehicle. If you use this method you must keep accurate records including details of private and work-related expenses. Your records will need to show the reasons for and the distances of journeys for business travel.

Logbook

You can also work out the business use of your vehicle by keeping a logbook for at least 90 consecutive days. After 90 days you can work out the average proportion of business to private use of your vehicle. The logbook term is up to three years, provided variance of business use is less than 20% of the logbook representation.

The logbook **must** record the:

- start and end of the 90-day test period
- vehicle's odometer readings at the start and end of the test period
- distance of each business journey
- date of each business journey
- reason for each business journey, and
- any other detail that we may require.

You can use your logbook to calculate the deduction for the costs you incur and the amount of depreciation loss for the business use of your motor vehicle.

Default method

The deduction for costs of using a motor vehicle is limited to the lesser of:

- the proportion of actual business use of the vehicle, and
- 25% of the total use of the vehicle

where:

- actual records showing the proportion of business use haven't been kept, or
- the period of use if not reflected in the log book, or
- the mileage rate method can't be used.

Employee reimbursement

To reimburse staff, including shareholder-employees using their own vehicle for work, you can use:

- our mileage rate, or
- rates published by a reputable independent New Zealand source representing a reasonable estimate (for example New Zealand Automobile Association mileage rates), or
- actual costs.

Our mileage rate

We accept the standard mileage rate as being a reasonable estimate of the costs likely to be incurred by an employee. An employer may choose to use the current rate of 77 cents per kilometre for reimbursing employees.

The 5,000 km limit for self-employed people does not apply to employers using the mileage rate to reimburse employees. Although employers may use the mileage rate to reimburse employees that reimbursement must be a reasonable estimate of the costs likely to be incurred by the employee.

The reimbursement is exempt from income tax "to the extent to which it reimburses the employee for expenditure for which the employee would be allowed a deduction if the employment limitation did not exist". Employers who reimburse employees for business travel in excess of 5,000 km will need to consider whether the mileage rate is still a reasonable estimate of the employee's costs.

The rate applies irrespective of engine size or whether your vehicle is powered by a petrol or diesel engine. The mileage rate does not apply to motor cycles.

Find out more about previous and subsequent mileage rates

Actual costs

You can reimburse an employee's actual costs instead of using the mileage rates. For this method both the employer and employee must keep accurate records, including details of private and work-related costs, to justify the reimbursements.

Or, you can make a reasonable estimate of the costs likely to be incurred by your employee or group of employees.