



Inland Revenue
Te Tari Taake

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New Zealand

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25 January 2018

To B. White
By email to: fyi-request-7074-1efbb19f@requests.fyi.org.nz

Dear B White

Thank you for your request made under the Official Information Act 1982 (the Act), which we received on 1 January 2018. You requested the following:

...documents showing calculation methodology used in setting the mileage rate for expenditure incurred for the business use of a motor vehicle. Information for the 2017-2018 year is sought both for internal combustion engine vehicles, and electric vehicles.

Information to be released

The Commissioner of Inland Revenue has not yet set a mileage rate for the 2017-18 income year. The related information is usually obtained about April/May following the end of an income year as the mileage rate is set retrospectively for each income year.

You may be interested to know however that recent changes to the legislation have modified and extended the current mileage rate (now referred to as a "kilometre rate") method. These changes will apply from the 2017-18 income year. As a consequence a draft replacement Operational Statement will be released for consultation at some future stage.

The recent changes mean the new kilometre rate will be set in two tiers. One tier will apply to recover both the fixed and running costs of a motor vehicle, and a second tier that will provide for running costs only. Further information on the changes is provided in the *Tax Information Bulletin* Volume 29, Number 4 (May 2017), pages 71-74, which is publicly available on the Inland Revenue website (<http://www.ird.govt.nz/aboutir/newsletters/tib/>).

Information to be refused

The information used to calculate the Commissioner's mileage rate, and data that will be used to set the new kilometre rate, is sourced from a motor vehicle industry representative. Your request for this information is refused pursuant to section 9(2)(b)(ii) of the Act, as the release of this information would be likely to unreasonably prejudice the commercial position of the supplier. This information remains the intellectual property of the organisation that supplied it. There are no countervailing public interest considerations that justify the release of this information.

To provide you with some context, the data utilises industry knowledge of likely motor vehicle values over the first five years of a car's estimated useful life. The kilometre rate calculations include industry assumptions on the average vehicle purchase price and likely depreciation on vehicles that travel an annual average distance. Fixed costs of ownership (relicensing, insurance, WOF, interest on capital outlay, depreciation) and

running costs (fuel consumption for average travel, oil, tyres, repairs and maintenance) are considered for various vehicle categories (small, compact, medium, large). Average monthly fuel prices for an income year are also taken into consideration.

Right of review

If you disagree with my decision you have the right, under section 28(3) of the Act, to ask the Ombudsman to investigate and review my decision. The office of the Ombudsman can be contacted at PO Box 10152, The Terrace, Wellington, 6143.

Alternatively you may have the decision reviewed by an Inland Revenue review officer. This does not preclude you from subsequently seeking a review by the Ombudsman if you are not satisfied with the department's internal review. If you would like an internal review, please write to the Commissioner of Inland Revenue, PO Box 2198, Wellington 6140, setting out the details of your request.

Thank you for your request. I trust that this information is of assistance to you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rob Wells', with a long vertical line extending downwards from the end of the signature.

Rob Wells
Manager, Technical Standards