



# Miles To Go

## Understanding Mileage Allowance

2010 saw a slight rise in the annual cost of running a vehicle. This is true for both petrol and diesel vehicles.

There are several factors that apply when calculating running costs. Fuel, of course, is at the forefront; however, depreciation and interest rates are even bigger factors. Added to those has been the increase in ACC levies included in the cost of registration.

So let's have a look at the numbers...

Petrol running costs are up on average 4.2% - small vehicles up 2.1%, larger vehicles 8.87%. The trend towards smaller vehicles, with lower buying prices, has meant less depreciation.

Diesel running costs are up 3.4% overall. Again, smaller, lower-value vehicles, have not been affected to the same extent as the larger, more expensive vehicles. Small vehicle running costs are up 1.3%, while larger vehicle running costs are up 4.6%.

Depreciation is calculated at the same rate regardless of whether the vehicle is petrol or diesel. Diesel vehicles can be more expensive to purchase, but they can also offer stronger residual values. However, there is the added expense of higher prices for servicing, maintenance and components.

The IRD standard mileage rate for motor vehicles, regardless of size or type of fuel, is \$.70 p/kilometre for the first 5000kms travelled in any one year. For travel in excess of 5000kms, you must keep an accurate detailed record of actual vehicle expenses, or make a 'reasonable' p/kilometre claim.

The chart below gives you an idea of what is deemed as reasonable...

Petrol				Diesel			
Small	Compact	Medium	Large	Small	Compact	Medium	Large
48.8	59.2	73.5	98.3	53.1	60.6	74.6	98.4

▲ Costs Cents per KM, based on the NZ average of 14,000km per year and comprising fixed costs & running costs.

- Small            Smallest hatchbacks and city type cars
- Compact       Slightly larger sedans, hatchbacks or wagons
- Medium        Popular Family oriented vehicles, mid-sized SUV's and Crossover vehicles
- Large           Larger capacity and luxury vehicles and large SUV's

If you would like more information on how these figures were arrived at the detailed reports are available from the AA. If you are unsure of what your mileage should be, Contact Us and we'll help.

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