Fact Sheet

Car fringe benefits

Where an employee is provided with private use of a company vehicle, a fringe benefit occurs. Depending on the type of vehicle provided, the fringe benefit will either be a car fringe benefit, or a residual benefit.

A car fringe benefit arises where the following occurs:

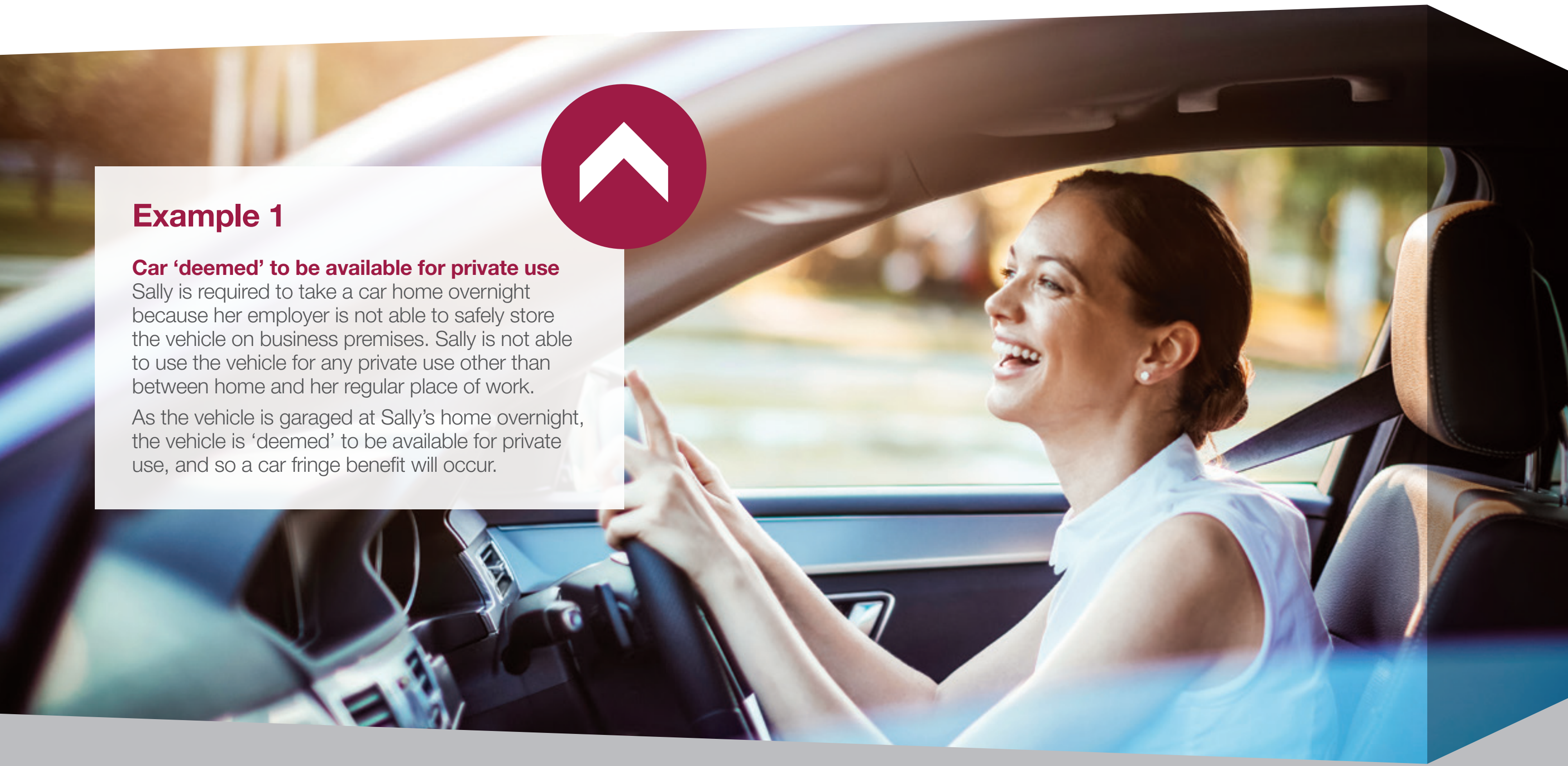
- The vehicle provided is a car.
- The car is owned or leased by the employer.
- An employee has private use of the vehicle, or the vehicle is deemed to be available for private use of the employee. This occurs when the car is garaged at or near the employee's residence, or, the car is not on the employer's business premises, and the employee has control of the car (i.e. has the keys).

A residual benefit will arise where an employer provides the use of a vehicle to an employee, where that vehicle does not satisfy the definition of a car.

This generally applies to;

- Utility vehicles
- Panel vans
- Buses.

There is no blanket FBT exemption for vehicles that are not cars, though these vehicles may be eligible for an FBT exemption in certain circumstances.



Example 1

Car 'deemed' to be available for private use
Sally is required to take a car home overnight because her employer is not able to safely store the vehicle on business premises. Sally is not able to use the vehicle for any private use other than between home and her regular place of work.

As the vehicle is garaged at Sally's home overnight, the vehicle is 'deemed' to be available for private use, and so a car fringe benefit will occur.

Fringe Benefit Calculation Methods

There are two calculation methods available to value a car fringe benefit – the Statutory Formula or the Operating Cost method. An employer can to choose which method determines the lowest taxable value. It can also alternate from FBT year to FBT year. The only condition is that each car can only use one method per FBT year.

Where a vehicle is a residual benefit, generally the Operating Cost method is used. However, a cents per kilometre method is available where the vehicle is used extensively for work purposes.

Statutory Formula

The Statutory Formula method is the most common method for valuing car fringe benefits as it requires less record keeping than the Operating Cost method, and results in a lower car fringe benefit amount where there is significant private use of the vehicle.

The formula for calculating the car fringe benefit value under the Statutory Formula method is:

$$\left[\left(\text{Statutory Fraction} \otimes \text{Base Value} \otimes \text{Days Provided to Employee} \right) \ominus \frac{\text{Employee Contributions}}{\text{Number of days in FBT Year}} \right] \otimes \text{Gross Up Rate}$$

Where:

Statutory Fraction:
For all vehicle benefits provided after 11 May 2011, this is a flat rate of 20%.

Base Value*:
Purchase price of vehicle including GST, less on roads (stamp duty and registration).

Number of Days Provided to Employee:
Number of days in FBT year where the employee had private use or the vehicle was deemed to be available.

Employee Contributions:
Amount of post-tax contributions the employee makes to the vehicle in an FBT year. This can be direct payments for fuel or cleaning for which they are not reimbursed, or deductions made by payroll. Pre-tax deductions do not have any impact on the car fringe benefit calculation.

Gross Up Rate:
As a vehicle is considered a GST benefit, the Type 1 gross up rate is applicable (2.0802 for the FBT Year 2017-2018).

Operating Cost

The Operating Cost method is used less frequently to value car fringe benefits, as it has a greater record keeping requirement by both the employer and employee. Under this method, a 12 week logbook must be maintained to establish the business and private use of the vehicle. The value of the benefit has a direct relationship with the private use of the vehicle, and so where private use is significant, use of the Operating Cost method can result in a high car fringe benefit amount.

The Operating cost method is generally the only method available for calculating residual fringe benefits where the vehicle provided to an employee is not a car. However, as noted above, a cents per kilometre method is available where the vehicle is used extensively for work purposes.

The formula for calculating the car fringe benefit value under the Operating Cost method is:

$$\left[\text{Total Running Costs} \otimes \left(100\% - \text{Business Use Percentage} \right) \ominus \text{Employee Contributions} \right] \otimes \text{Gross Up Rate}$$

Where:

Total Running Costs:
The GST inclusive amount of running cost expenses for the vehicle, including finance payments, and deemed interest and depreciation where a vehicle is owned outright by the employer. Expenses such as car parking fees, fines and tolls are not included in this figure.

Business Use Percentage:
As per the logbook records maintained by the driver of the vehicle. For more information on what information is needed for a valid logbook, please see our Logbook Fact Sheet.

Employee contributions and gross up rate are as per the Statutory Formula method.

* Where a new employee starts to salary sacrifice an existing novated lease he/she had commenced with their previous employer, the base value will be the market value. This is on the basis the employees former employer was unrelated to you. If the former employer is an associate of you, then the base value will be the original value of the former employer.

Example 2

Comparison of calculation methods
John is provided with a company vehicle for the whole of the 2019-2020 FBT Year and make an after-tax contribution of $50.00 per fortnight. The vehicle has a base value of $30,000. The vehicle is leased by his employer, and the total running costs for the vehicle are $12,000 for the FBT Year. John maintains a logbook for 12 weeks. Calculations are as follows where John has:

High Private Usage (70%)

Statutory Formula Method:

Car Fringe Benefit $= [(0.2 \times 30{,}000 \times 365/365) - 1{,}300] \times 2.0802$

$= \$9{,}776.94$

Operating Cost Method:

Car Fringe Benefit $= [(12{,}000 \times 70\%) - 1{,}300] \times 2.0802$

$= \$14{,}769.42$

In this case, the Statutory Formula method results in a lower car fringe benefit value for John's vehicle.

Low Private Usage (20%)

Statutory Formula Method:

Car Fringe Benefit $= [(0.2 \times 30{,}000 \times 365/365) - 1{,}300] \times 2.0802$

$= \$9{,}776.94$

Operating Cost Method:

Car Fringe Benefit $= [(12{,}000 \times 20\%) - 1{,}300] \times 2.0802$

$= \$2{,}288.22$

In this case, the Operation Cost method results in a lower car fringe benefit value for John's vehicle.

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AccessPay

FBT Management – Salary Packaging Policies

There are various ways in which employers will manage the FBT liability for car fringe benefits. Options include:

Management method	Employer impact	Employee impact
Employer Pays FBT on car fringe benefit in addition to salary and wages	FBT liability on benefit paid by employer Employer is required to lodge an FBT return	No impact to employee salary packaging arrangements
Reduction to employee salary (i.e. pre-tax deductions)	FBT liability on benefit paid by employer using funds withheld from employee pre-tax salary Employer is required to lodge an FBT return	Reduction in salary, no impact to salary packaging arrangements
Employee Contributions (post-tax)	No FBT liability on car benefit as car benefit value is reduced to $0.00 No FBT return required	Net salary (post-tax) reduced by amount of contributions required each payday
Salary Packaging Adjusted	No FBT liability on car benefit as it is within the applicable exemption (i.e. PBI17/30 employers) No FBT return required	Amount employee is able to salary package each FBT year is reduced to allow for car benefit within the exemption

Example 3

Reduction to Salary Packaging Amount

Brenda works for a $30,000 exempt Public Benevolent Institution and is provided with a company vehicle. Her employer's vehicle policy is that salary packaging is reduced so that no FBT is payable by her employer for her car fringe benefit.

Brenda's vehicle has a base value of $18,000 and is provided with the vehicle for the full 2019-2020 FBT year, except for when she goes on annual leave for 2 weeks leaving the car on her employer's business premises (equating to 16 days). Brenda is not required to keep a logbook, and so her car fringe benefit.

Car Fringe Benefit

$= [(0.2 \times 18{,}000 \times 349/365) - 0] \times 2.0802$

$= \$7{,}160.45$

In order for Brenda's car fringe benefit value to be within the annual cap, her salary packaging is adjusted:

$30,000 annual cap − $7,160.45 car fringe benefit

= $22,839.55 grossed up cap

Brenda is able to salary package during the FBT year towards non-GST General Living Expenses:

$22,839.55 ÷ 1.8868 (non-GST gross up rate)

= $12,104.91

Example 4

Salary Packaging Reduction – Comparison of Tax Savings

Employee without Company Provided Vehicle

Kate works for a $30,000 exempt Public Benevolent Institution and salary packages, but does not have a company provided vehicle. Her only income is a salary of $50,000 per annum. Kate is able to salary package $15,900 per annum, and her disposable income is approximately $46,742 per annum.

Employee with Company Provided Vehicle

Lisa also works for a Public Benevolent Institution, salary packages, and her salary is also $50,000 per annum. Lisa is provided with a company vehicle by her employer with a base value of $25,000.

Her employer's policy is that salary packaging is reduced so that no FBT is payable on Lisa's car. Because of this, the amount Lisa is able to salary package is reduced to $10,387 per annum, and as a result, her disposable income is approximately $45,192 per annum, while also having use of a company provided vehicle.

The reduction in disposable income as a result of the company provided vehicle is approximately $1,354 per annum, or $52.08 per fortnight for the 2019/2020 income year.