

Fact Sheet

Salary packaging and company provided vehicles



AccessPay

If you are provided with a company vehicle, your salary packaging will usually be impacted as the provision of a company vehicle is considered a car fringe benefit and contributes to the annual salary packaging threshold. Your salary packaging arrangements and car fringe benefit value must remain within the applicable annual salary packaging threshold (i.e. \$30,000 or \$17,000) so you do not incur an FBT liability.

Salary packaging with a company vehicle

Your existing salary packaging arrangements will be impacted by a company provided vehicle, subject to your employer's vehicle policy. The amount you're able to salary package is dependent on several factors, such as the purchase price of the vehicle and the calculation method used by your employer to value car fringe benefits.

The difference between the maximum salary packaging amount without a vehicle and what you can package with the vehicle will form part of your regular taxable salary (paid to you after-tax via payroll). This amount is not kept as an FBT payment for your vehicle.

Please note that though your private use may be restricted by your employer, the vehicle will still impact on your salary packaging arrangements.

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 car on business premises. Sally is not able to use the car for any private use other than between home and her regular place of work.

As the car is garaged at Sally's home overnight, and she has custody and control of the keys, the car is 'deemed' to be available for private use, and so a car fringe benefit will arise.

In Example 2, though Kate's salary packaging has been adjusted, she still receives a substantial tax saving, while having access to a company provided vehicle.



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Example 2

Salary packaging reduction with company vehicle

Person 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 can salary package \$15,900 per annum, and her disposable income is approximately \$46,997 per annum.

Person with company provided vehicle

Shane works for a charity, salary packages, and is provided with a company vehicle by his employer with a base value of \$25,000. The amount Shane is able to salary package is reduced from \$15,900 to \$10,387 per year, and as a result, his disposable income is \$45,207 per year, while also having use of a company provided vehicle.

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

This example does not include any contributions you may need to make to your employer as part of their vehicle policy.

Example 3

Fortnightly packaging comparison

Peter works for a \$30,000 exempt PBI organisation, earns \$80,000 per year and salary packages. If Peter is given the option of being provided with a company vehicle with a base value of \$35,000. A comparison of Peter's fortnightly salary packaging arrangements are:

Salary packaging a car	No	Yes
Gross wage	\$ 3,076.92	\$ 3,076.92
Salary packaging	\$ 611.54	\$ 314.71
Taxable wage	\$ 2,465.38	\$ 2,762.21
Income tax (inc Medicare Levy)	\$ 482.42	\$ 586.31
Add packaged funds	\$ 611.54	\$ 314.71
Disposable income	\$ 2,594.50	\$ 2,490.61
Difference to Peter's disposable income		\$ 103.89

Employee vehicle contributions

Some employers may require you to contribute to your vehicle out of your salary each fortnight. This amount will be set by your organisation's vehicle policy and these deductions can be either from your pre-tax or post-tax salary.

- If deductions are made by your payroll for the vehicle pre-tax, this will have no effect on the vehicle's Fringe Benefit Value, and therefore won't impact on your packaging.
- If deductions are made by your payroll for the vehicle post-tax, this may reduce the vehicle's Fringe Benefit Value, and so allow you to salary package a higher amount.