



A car fringe benefit occurs when:

- 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 available for private use. This occurs when the employee has control of the car (i.e. has the keys) and the car is garaged at or near the employee's residence, or the car is not on the employer's business premises.

There are two methods for calculating the taxable value of a car fringe benefit

- Statutory Formula
- Operating Cost

An employer can choose which method determines the lowest taxable value and can also alternate methods from Fringe Benefits Tax (FBT) year to FBT year (1 April to 31 March). The only condition is that each car can only use one method per FBT year.

Statutory Formula

This is the most common method for calculating the taxable value of a car fringe benefit. It requires less record keeping and, if there is significant private use of the vehicle, it results in a lower car fringe benefit amount.

The formula to use is:

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

Base Value:

Purchase price of vehicle including GST, less on road costs (stamp duty and registration).

Statutory Fraction:

This is a flat rate of 20%.

Number of Days Provided to Employee:

Number of days in FBT year where the vehicle was available for the employee's private use.

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.

Operating Cost

This is used less frequently to calculate the taxable value of a car fringe benefit. It has a greater record keeping requirement by both the employer and employee as a 12 week log book must be maintained to establish the business and private use of the vehicle. Where private use is significant, it can result in a high car fringe benefit amount as the taxable value is directly related to the private use of the vehicle.

The formula to use is:

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

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 log book records maintained by the driver of the vehicle.

Employee contributions are as per the Statutory Formula method.

Fact Sheet

Calculating a car fringe benefit - company provided car



AccessPay

Example 1: Car fringe benefit reduces salary packaging cap

Brenda works for a Public Benevolent Institution and can salary package up to \$15,900 each FBT year from her pre-tax salary for living expenses. She is provided with a company car and her employer's policy is that the amount she salary packages for living expenses is then reduced to take account of this, so no FBT is payable by her employer for her car fringe benefit.

Brenda's car has a base value of \$18,000 and she has the car for the full FBT year. This means that the original taxable value of the car is: $\$18,000 \times 20\% = \$3,600$ which allows Brenda to salary package \$11,930.94. When she goes on annual leave for 16 days she leaves the car on her employer's business premises so her car fringe benefit is calculated as follows:

Brenda's employer calculates the taxable value

$$\$18,000.00 \times 20\% \times \frac{349}{365} = \$3,442.19 \text{ (taxable value of car)}$$

AccessPay will then calculate Brenda's new annual living expenses cap

$$\$3,442.19 \times 2.0802 \text{ (gross up rate)} = \$7,160.45 \text{ (car fringe benefit amount)}$$

$$\$30,000 \text{ cap} - \$7,160.45 = \$22,839.55$$

$$\$22,839.55 \times 1.8868 \text{ (gross up rate)} = \$12,104.91 \text{ cap remaining}$$

Brenda is advised by AccessPay that the new amount she can salary package from her pre-tax pay in the current FBT year is \$12,104.91. This amount will then revert to \$11,930.93 for the following FBT year.

Example 2: Salary packaging – comparison of tax savings with and without company car

Employee without company provided car

Kate works for a Public Benevolent Institution and salary packages \$15,900 each FBT year from her pre-tax salary. She does not have a company provided vehicle and her only income is an annual salary of \$50,000. Her disposable income by salary packaging is approximately \$46,742 per year.

Employee with company provided car

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

Her employer's policy is that her salary packaging is reduced so that no FBT is payable on Lisa's car, so the amount Lisa is able to salary package is reduced to \$10,387 per annum and Lisa is advised of this change by AccessPay. Her disposable income is approximately \$45,192 per year, but she also has use of her company car.

The reduction in disposable income from the company car is approximately \$1,354 per annum, or \$52.08 per fortnight.

Information to provide to AccessPay

Employer policy	Employer impact	Employee salary packaging impact	Information to AccessPay
Employer pays FBT on car fringe benefit	FBT liability paid by employer	No impact to employee's salary packaging arrangements	Taxable value of car Driver name and payroll number
	Employer has to lodge FBT return		
Employee makes contributions (post-tax)	No FBT liability as post-tax contributions reduce car fringe benefit value to \$0.00	No impact to employee's salary packaging arrangements	No information needed Employee contribution should equal taxable value*
Salary packaging cap adjusted	No FBT liability as fringe benefit value is within the cap	Amount employee can salary package each FBT year is adjusted to include car benefit	Taxable value of car Driver name and payroll number
	No FBT payable		

* Taxable value must be provided if employee contribution is less than taxable value of car and an adjustment will be made to the amount the employee can salary package.

The ATO provides a handy car calculator to help you work out the car fringe benefit value and the FBT payable. You can access the calculator [here](#).

Information, advice or guidance provided in this fact sheet, is general in nature and provided without reference to your organisation policies or your circumstances. Please contact your accountant, tax agent or legal adviser to determine how the information in this fact sheet may apply to you.