

Salary packaging and company provided vehicles

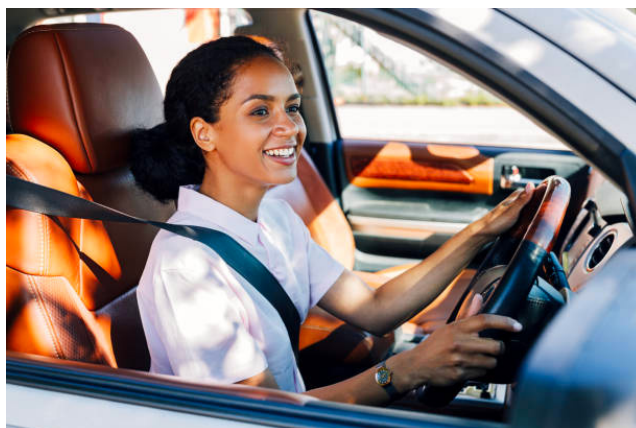
If you are provided with a company vehicle, your salary packaging will usually be impacted as this is considered a car fringe benefit and contributes to your annual salary packaging limit.

Your salary packaging deductions plus your car fringe benefit value must remain within your annual salary packaging limit (ie. 15,900 for an employee of public benevolent institution (PBI) such as an aged care organisation, charity or medical research institute and \$9,010 for a public or not-for-profit hospital employee) so you do not incur a Fringe Benefits Tax (FBT) liability.

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

The difference between the maximum you can salary package without a vehicle and 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, the vehicle will still impact your salary packaging arrangement even if private use of the vehicle is restricted by your employer.



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 the keys, the car is 'deemed' to be available for private use, and so a car fringe benefit will arise.



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Example 2

Salary packaging reduction with company vehicle

Kate works for a PBI and 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 FBT year (1 April - 31 March).



Shane works for a PBI 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 due to the car fringe benefit value.



Example 3

Salary packaging with and without company vehicle

Peter works for a PBI, earns \$80,000 per year and wants to salary package. 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	Yes	No
Gross salary (fortnightly)	\$3,076.92	\$3,076.92
Salary packaging	\$314.71	\$611.54
Taxable salary	\$2,762.21	\$2,465.38
Tax & Medicare	\$586.31	\$482.42
Net salary	\$2,175.90	\$1,982.96
Add packaged funds	\$314.71	\$611.54
Disposable income	\$2,490.61	\$2,594.50
Tax savings		\$103.89

The use of a company vehicle means Peter pays slightly more tax, but he can enjoy the benefit of the vehicle.

Employee vehicle contributions

Some employers may require you to contribute to your vehicle from 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.
- If deductions are made by your payroll for the vehicle post-tax, this may reduce the vehicle's Fringe Benefit Value, and allow you to salary package a higher amount.

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

