

WHAT IS A CAR FRINGE BENEFIT?



A car fringe benefit commonly arises when an employer makes a car they own or lease available for the private use of an employee. If you conduct your business through a company or trust, you may be an employee of the company or a trust.

A car is made available for private use by an employee on any day the car:

- is actually used for private purposes by the employee or associate
- is not at your premises, and the employee is allowed to use it for private purposes
- is garaged at their place of residence, regardless of whether they have permission to use it privately.

Calculating the Taxable Value of a Car Fringe Benefit

You can calculate the taxable value of a car fringe benefit using either a **statutory formula** or **operating cost** method.

STATUTORY FORMULA METHOD

The **taxable value** is calculated by applying a statutory formula percentage to the base value cost of the car at the date of purchase or lease.

Your liability is reduced by the number of days the car was not available for private use, and any employee contributions made towards the running and maintenance costs of the car.

Statutory Formula.

$$\begin{array}{c} \text{base} \\ \text{value} \\ \text{of car} \end{array} \times \begin{array}{c} \text{statutory} \\ \text{fraction} \\ \% \end{array} \times \begin{array}{c} \text{no. days of} \\ \text{private use} \\ + \\ 365 \text{ days of} \\ \text{FBT year} \end{array} - \begin{array}{c} \text{costs paid} \\ \text{by the} \\ \text{employee} \end{array}$$

Base Value. If you've owned the car for less than 4 years when the FBT year began, the base value is the original cost price of the car, or $\frac{2}{3}$ of the cost price if owned for more than 4 years.

Cost price. The original purchase including GST and luxury car tax but excluding, stamp duty, registration, acquisition costs such as delivery and non-business accessories like paint, fabric and rust protection or window tinting.

Statutory Fractions. From 1 April 2014, there's been a flat rate of 20% applied regardless of how many km's were travelled in the FBT year, except where there is a pre-existing commitment in place.

Table of statutory fractions for pre-existing commitments.

Total km's travelled in the FBT year	Statutory Fraction %				
	PRIOR TO		FROM		
	10 May 2011	10 May 2011	1 April 2012	1 April 2013	1 April 2014
0 - 14,999	26	20	20	20	20
15,000 - 24,999	20	20	20	20	20
25,000 - 40,000	11	14	17	20	20
Over 40,000	7	10	13	17	20

OPERATING COST METHOD

The **taxable value** is based on the private usage proportion of the total costs of either owning or leasing and operating a car during the FBT year.

Operating Cost Formula

$$\text{total operating costs} \times \text{business use \%} - \text{costs paid by the employee}$$

Operating costs. Includes actual costs such as running costs (repairs, maintenance, fuel, registration and insurance), and deemed costs such as depreciation and interest.

If the car is owned under lease, the leasing costs for the period it's used to provide fringe benefits are also included in the operating cost.

For cars owned by the employer, *deemed depreciation* is calculated by multiplying the depreciated value of the car at the start of the FBT year by the deemed depreciation rate applied at the time the car was purchased. *Deemed interest* is calculated by multiplying the depreciation value of the car by the statutory FBT benchmark interest rate of 5.65% for 2016-2017.

Logbooks. A log book must be maintained for a continuous 12-week period to represent the use for the full FBT year and to determine the applicable business percentage of a car.

An employer can use the operating cost method for a particular year where a log book hasn't been maintained, there is no reduction in the operating cost of the car for any business journeys made.

Private use. Generally, any use of the car that is not for income-producing purposes such as travel to and from work is normally private use, even where the employee undertakes minor errands like collecting the mail.

Employee reimbursement. Any unreimbursed car expenses incurred, or contribution made by the employee can reduce the taxable value of a car fringe benefit under the operating cost method, as illustrated.

Exempt Car Benefits

WORK RELATED TRAVEL IN COMMERCIAL CARS

A car benefit will be exempt where the vehicle is a taxi, panel van, utility or other road vehicle designed to carry a load, other than passengers of less than one tonne, and the employee's private use is limited to incidental or minor work-related travel such as between home and work that is infrequent and irregular.

CARS USED FOR EMERGENCY SERVICES

Cars used for emergency services which are garaged or kept at or near an employee's residence are exempt car benefits, where the car is used police, ambulance or fire fighting services; is fitted with a flashing warning light and siren, and has exterior markings which indicate its use.

CARS SUPPLIED BY PERSONAL SERVICES ENTITIES

A personal service entity is unable to deduct car expenses from more than one car used by an individual. The second car benefits are exempt in relation to an FBT year.

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