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 of the following methods:

1. Statutory Formula Method
2. Operating Cost Method

Statutory Formula Method

The taxable value is calculated by applying a statutory formula percentage to the cost of the car at the date of purchase or lease. A flat 20% applies, regardless of the distance travelled, to all car fringe benefits you provide from 1 April 2014 (except where there is a pre-existing commitment in place before 7:30pm AEST 10 May 2011 to provide a car). 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.

$$\frac{\textit{Base Value of Car} \times \textit{Statutory Fraction} \times \textit{No. of Days Benefit Provided}}{\textit{No. of Days in FBT year}} - \textit{Employee Contribution}$$

Base value of the car

- If the car is owned less than 4 years prior to commencement of the FBT year = original cost price of car
- If the car is owned more than 4 years = two-thirds of the cost price of the car

Important Note: *Cost Price of the Car*

- Original purchase price (including GST, luxury car tax, excluding stamp duty and registration)
- Costs attributable to acquisition such as delivery
- Non-business accessories e.g. paint protection, fabric protection, rust protection, window tinting

Statutory Fraction – Pre-existing commitments

Total km's travelled in FBT year	**Statutory %**				
	Prior to May 2011	From 10 May 2011	From 1 April 2012	From 1 April 2013	From 1 April 2014
0 - 14,999	26	20	20	20	20
15,000 - 25,000	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 owing or leasing and operating a car during the FBT year.

Total Operating Costs **x** *Business Use Percentage* **–** *Employee Contribution*

The total operating costs of a car include actual costs (such as running costs) and deemed costs (such as depreciation and interest). Running costs include repairs, maintenance, fuel, registration and insurance. If the employer leases the car, then the leasing costs of the car (for the period it's used to provide fringe benefits) are also included.

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 (after 10 May 2006 - 25%)
- Deemed Interest is calculated by multiplying the depreciation value of the car by the statutory FBT benchmark interest rate (5.65% for the 2015-2016 year).

To determine the applicable business percentage of a car a log book must be maintained for a continuous 12-week period which is representative for the use for the full FBT year.

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

Warning! While an employer can use the operating cost method for a particular year for which a log book has not been maintained, there is no reduction in the operating cost of the car for any business journeys made.

Employee reimbursement

The taxable value of a car fringe benefit calculated under the Operating Cost Method may be reduced by an employee contribution made or any unreimbursed car expenses incurred by the employee.

Exempt Car Benefits

Work related travel in commercial cars

A car benefit will be an exempt benefit where the vehicle constitutes a taxi, panel van, utility or other road vehicle designed to carry a load less than one tonne (other than designed for the principle purpose of carrying passengers) and the employee's private use is limited to:

- Travel incidental to work-related travel e.g. travel between home and work; and/or
- Non-work-related use which is minor, 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 by a police, ambulance or fire fighting services; and
- is fitted with a flashing warning light and siren, and
- has exterior markings which indicate its use.

Cars supplied by personal services entitles

As a personal service entity is unable to deduct car expenses from more than one car utilised by an individual, a car benefit in respect of a second car is an exempt benefit in relation to an FBT year.

For more information, contact the team at SUCCESS ACCOUNTING GROUP TODAY!

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