

## Car fringe benefits

### When does a car fringe benefit arise?

A car fringe benefit will broadly arise where all of the following requirements are satisfied:-

- a) a car is provided to an employee or their associate;
- b) the car is held by the University and
- c) the car is either applied or deemed available for the private use of an employee or their associate.

### What is a car for FBT purposes?

A car is a motor vehicle designed to carry a load of less than 1 tonne and fewer than 9 passengers. In most cases, commonly used vehicles (including four-wheel drives) will satisfy both elements of the definition above and, therefore, will represent a car for FBT purposes.

### When is a car considered to be held by the University?

The University is considered to have held a car for FBT purposes where it either:

- owns the car;
- leases (including novated lease) the car; or
- otherwise makes the car available to an employee under an arrangement with a third party

### When is a car considered to be applied or deemed to be available for private use?

The circumstances in which a car is either used or deemed available for the private use of an employee will generally arise where any of the following situations apply in relation to a car:

- the car is garaged or kept at or near a place of residence of the employee or an associate of the employee;
- the car is not parked at the University business premises and the employee or their associate is entitled to use the car for private purposes and
- the car is not parked at the University business premises, the employee or their associate has the custody, and control of the car and the employee is not performing duties of their employment.

### When is a car considered “not available for private use”?

This would typically include situations:-

- where a car is involved in an accident and requires panel-beating services. The car needs to be in a non-drivable state to meet the reduction in deemed private use and therefore this does not include when a car is in a workshop for routine servicing and maintenance. Documentary evidence (such as a letter from the mechanic/panel beater or a statutory declaration) must be provided to support the period the car was unavailable for private use and
- when a car is garaged at the University business premises and the car is not available for the private use of any other employees or their associates.

### How is FBT calculated?

Once a car fringe benefit arises, the University has the option of valuing the car fringe benefit under either the Statutory formula or the Operating cost method.

1. **The Statutory formula method** – under this method FBT is calculated as follows:-  
**FBT = Taxable Value of fringe benefit X 2.0802 (Gross up rate) X 47% (Rate of FBT)**

$$\text{The Taxable Value} = A \times B \times \frac{C}{D} - E$$

Where: A is the base value of the car (GST Inclusive);  
B is the statutory fraction, which is a flat rate of 20% regardless of the kilometres travelled during the FBT year;  
C is the number of days during the year on which a car benefit was provided;  
D is the amount of days in the FBT year (i.e., 365 days or 366 in a leap year);  
E is the amount of any recipient's payment (i.e., employee contribution).

**2. The Operating cost method** – under this method the FBT is calculated as follows:-

**FBT = Taxable Value of fringe benefit X 2.0802 (Gross up rate) X 47% (Rate of FBT)**

**The Taxable value = (A X B)-C**

Where: A is the total operating costs  
B is the private use percentage and  
C is the employee contribution

**Choosing the valuation method**

The University policy is to use the Statutory Formula Method for calculating FBT on car fringe benefits. In certain circumstances, where the vehicle is predominantly used for business purposes, the Finance department may use the operating cost to calculate the FBT liability.

**Staff Use of University Pool Vehicles**

University pool vehicles taken home overnight for work related purposes are deemed to be available for private use and will therefore be regarded as a fringe benefit **and subject to FBT**. Vehicles taken home on a particular night will be deemed as a fringe benefit provided over two days. For example, a car is taken home by an employee on a Monday night for a business trip to be undertaken on Tuesday morning, the vehicle is regarded as being available for private use both on the Monday and Tuesday. Assessed FBT will be on charged to the staff member's cost centre.

For University pool vehicles, the operating cost method is used therefore pool vehicles used exclusively for work related purposes do not attract FBT, this will however need to be substantiated through the maintenance of a logbook. Facilities Management is responsible for ensuring proper logbook records are maintained, recording both business and private trips. A logbook must be maintained for each pool vehicle in the University fleet, employees must record each trip made into the logbook. The logbook can be found in the glove box of each car. Any trips not adequately recorded will automatically be deemed private in nature and subject to FBT.

Facilities Management must notify Finance no later than April 15<sup>th</sup> each year of any private use that occurred in the preceding FBT year.