



Class Ruling

Income tax and fringe benefits tax: customers of Procon Telematics Pty Ltd who use the FleetLocate/Easy2log Vehicle Logbook Report for their log book records

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1 This publication provides you with the following level of protection:

This publication (excluding appendixes) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

What this Ruling is about

1. This Ruling sets out the Commissioner's opinion on the way in which the relevant provision(s) identified below apply to the defined class of entities, who take part in the scheme to which this Ruling relates.

Relevant provision(s)

2. The relevant provisions dealt with in this Ruling are:
- the definition of log book records in subsection 136(1) of the *Fringe Benefits Tax Assessment Act 1986* (FBTAA)
 - section 28-120 of the *Income Tax Assessment Act 1997* (ITAA 1997), and
 - section 28-125 of the ITAA 1997.

Class of entities

3. The class of entities to which this Ruling applies is customers of Procon Telematics Pty Ltd (Procon) who use the FleetLocate/Easy2log system (Easy2Log) *Vehicle Logbook Report* for the purposes of section 10 of the FBTAA or subdivision 28-F of the ITAA 1997
4. Within this Ruling the class of entities is referred to as a Procon customer.

Qualifications

5. The Commissioner makes this Ruling based on the precise scheme identified in this Ruling.
6. The class of entities defined in this Ruling may rely on its contents provided the scheme actually carried out is carried out in accordance with the scheme described in paragraphs 9 to 19 of this Ruling.
7. If the scheme actually carried out is materially different from the scheme that is described in this Ruling, then:
 - this Ruling has no binding effect on the Commissioner because the scheme entered into is not the scheme on which the Commissioner has ruled, and
 - this Ruling may be withdrawn or modified.

Date of effect

8. This Ruling applies from 1 April 2014. However, this Ruling will not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of this Ruling (see paragraphs 75 and 76 of Taxation Ruling TR 2006/10).

Scheme

9. The following description of the scheme is based on information provided by the applicant. The following documents, or relevant parts of them form part of and are to be read with the description:
 - the application for Class Ruling dated 3 April 2014
 - an example of a Vehicle Logbook Report provided with the application
 - the Easy2Log User Guide
 - the FleetLocate Brochure provided with the application, and

- the Easy2Log Procon Information Brochure provided with the application.

Note: Certain information has been provided on a commercial-in-confidence basis and will not be disclosed or released under Freedom of Information legislation.

10. Easy2log is a product developed by Procon which incorporates Global Positioning System (GPS) technology, computer software and a reporting system as a means of recording log book entries and various types of data about a car's journey.

11. Easy2Log uses a GPS Tracking device which is connected to a vehicle by plugging it into the vehicle's OBDII port or by connecting it to the vehicle's electrical wiring. The GPS tracking device uses a GPS signal to record latitude, longitude, time and date data. It also uses the GPS signal to record the start and finish locations, the duration and the distance travelled on each journey by the car. This is automatically transmitted to Procon's servers while the car is in motion.

12. The GPS tracking device is assigned to a particular car through a registration system. Once this registration process has occurred data can be uploaded to the Information System from the GPS tracking device.

13. The odometer reading of the car is initially entered at the time of the registration. Subsequent odometer readings are calculated by the Information System using the GPS distance travelled data collected by the GPS tracking device.

14. Alternatively, the odometer reading at a particular time can be entered by the user. When the user enters an odometer reading the Information System compares the reading entered with the calculated odometer reading and if necessary adjusts the calculated reading to the reading entered by the user. Where the calculated reading is adjusted, the difference is treated as non-business use of the car.

15. The purpose of each journey may be input by the user at the start of the journey using an in-vehicle screen, or a SmartPhone application. Alternatively, the purpose of a journey can be recorded using the Information System. In addition, the Information System can be pre-programmed with different narrations for particular journeys.

16. The data collected from the GPS Tracking device or input by the user can be retained in the Information System for up to seven years.

17. A Procon customer can use the Easy2log system to produce a range of reports including the *Vehicle Logbook Report*.

18. The *Vehicle Logbook Report* provides the following information for each journey undertaken during the period of the report:

- car registration
- trip ID (internal trip reference identifier)

- driver identifier (usually driver name or employee number)
- trip type (business, private or not specified)
- start date and time
- start location (based on GPS co-ordinates)
- end date and time
- end location (based on GPS co-ordinates)
- start odometer reading for the journey
- end odometer reading for the journey
- distance travelled
- trip duration
- purpose of the journey, and
- any additional comments by the driver.

19. In addition, *Vehicle Logbook Report* provides a summary of the journeys undertaken during the period. The summary provides the following information:

- initial odometer reading for the report period
- final odometer reading for the report period
- total kilometres travelled during the report period
- total kilometres for all trips during the report period that were classified as private trips
- total kilometres for all trips during the report period that were classified as business trips
- total kilometres for any trips during the report period that were not classified as private or business trips
- percentage of trips during the report period that were classified as business trips
- percentage of trips during the report period that were classified as private trips, and
- percentage of kilometres not recorded that were not classified as private or business trips.

Ruling

20. The *Vehicle Logbook Report* described in paragraphs 18 and 19 of this Ruling will satisfy the definition of 'log book records' in subsection 136(1) of the FBTAA provided:

- the report is for an applicable log book period;

- the purpose of the journey is sufficiently descriptive to enable the journey to be classified as a business journey;
- the purpose of any journey classified as being a business journey is entered within a week of the journey occurring.

21. The *Vehicle Logbook Report* described in paragraphs 18 and 19 of this Ruling will satisfy the requirements of section 28-125 of the ITAA 1997 provided:

- the report is for the period specified in section 28-120 of the ITAA 1997;
- the reason for the journey is sufficiently descriptive to enable the journey to be classified as a business journey;
- the reason for any journey classified as being a business journey is entered within a week of the journey occurring.

Commissioner of Taxation

9 July 2014

Appendix 1 – Explanation

❶ *This Appendix is provided as information to help you understand how the Commissioner's view has been reached. It does not form part of the binding public ruling.*

Does the Vehicle Logbook Report satisfy the definition of 'log book records' in subsection 136(1) of the FBTA?

22. Section 10 of the FBTA allows an employer to elect to calculate the taxable value of a car fringe benefit using the cost basis method (operating cost method).

23. Where this election is made, subsection 10(2) of the FBTA provides that the taxable value of the car fringe benefit will be the amount calculated in accordance with the formula:

$$(C \times (100\% - BP)) - R$$

where:

C is the operating cost of the car during the holding period;

BP is either:

- (i) nil if, under sections 10A or 10B, the employer is not entitled to a reduction in the operating cost of the car on account of business journeys undertaken in the car during the holding period; or
- (ii) the business use percentage applicable to the car for the holding period; and

R is the amount (if any) of the recipient's payment.

24. Therefore, an employer intending to claim a reduction in the operating costs of a car, on account of the business journeys undertaken during the holding period, must meet the requirements of section 10A of the FBTA (if the year is a log book year of tax), or section 10B of the FBTA (if the year is not a log book year of tax).

25. Subsection 162G(1) of the FBTA sets out the circumstances in which a year will be a log book year of tax. The circumstances include a year in which an election is made to treat the year as a log book year of tax.

26. A Procon customer who uses the Easy2Log system to record details of the journeys undertaken in a car during a particular year will be taken to make an election for that year to be a log book year of tax.

27. Section 10A of the FBTA requires that in a logbook year:

- log book records are maintained for an applicable log book period;
- odometer records are maintained for an applicable log book period;

- odometer records are maintained for the period of the year in which the car was held (the holding period);
- the employer estimates the number of business kilometres travelled during the holding period;
- the employer specifies the business use percentage for the holding period.

28. Subsection 162H(1) of the FBTA provides that the applicable log book period for which log book and odometer records must be maintained in a logbook year is 12 weeks, unless the holding period is less than 12 weeks. Where the holding period is less than 12 weeks, the applicable log book period is the holding period.

29. Subsection 136(1) of the FBTA defines 'log book records' as follows:

log book records, in relation to a car held by a person (in this definition called the *holder*), in relation to a period, means a daily log book or similar document in which, in respect of each business journey:

- (a) that is undertaken in the car during the period; and
- (b) that the holder, or a person acting on behalf of the holder, chooses to record in the document for the purpose of demonstrating the pattern of use of the car during the period;

an entry setting out particulars of:

- (c) the date on which the journey began and the date on which it ended; and
- (d) the respective odometer readings of the car at the beginning and end of the journey; and
- (e) the number of kilometres travelled by the car in the course of the journey; and
- (f) the purpose or purposes of the journey;

is made in the English language at, or as soon as reasonably practicable after, the end of the journey.

30. In considering these conditions, the GPS Tracking device records data for each trip undertaken in the car. Therefore, it will record information in respect of each business journey.

31. Paragraph (c) of the definition of 'log book records' requires each entry to detail the dates on which the business journeys began and ended. This requirement is met as the *Vehicle Logbook Report* provides details of the time and date on which each journey began and ended.

32. Paragraph (d) of the definition of 'log book records' requires the respective odometer readings of the car at the beginning and at the end of the journey be entered into the relevant records.

33. The term 'odometer' is not defined in either the FBTAA or the ITAA 1997 but the *Macquarie Dictionary*, online edition, defines that term as being 'an instrument for measuring distance passed over, as by a motor vehicle'.

34. However, the definition of 'odometer records' in subsection 136(1) makes reference to 'odometer readings of the car'. In this regard, it is concluded that, whilst odometer readings must pertain to the car, it does not necessarily mean that they must also be attributable either wholly or in part to the rotation of the car's wheels, thereby mechanically moving the standard odometer fitted in the car by the manufacturer.

35. Provided the device used to determine the car's odometer readings is of sufficient integrity it can be accepted that a system other than the car's own odometer may meet the FBTAA legislative requirements.

36. Each time the car is driven, the start and end odometer readings for the journey are calculated by the Information System using the GPS distance travelled data collected by the GPS Tracking device. It is accepted that the opening and closing odometer readings calculated by the Information System are of sufficient integrity to be 'odometer readings of the car'.

37. Therefore, it is considered that the opening and closing odometer readings for each car journey detailed in the *Vehicle Logbook Report* satisfy the requirements of paragraph (d) of the definition of 'log book records'.

38. Paragraph (e) of the definition of 'log book records' requires the number of kilometres travelled by the car in the course of each business journey to be shown. This requirement is met as the *Vehicle Logbook Report* shows the total number of kilometres travelled during each trip.

39. Paragraph (f) of the definition of log book records requires the purpose or purposes of the business journey to be recorded. This requirement is met as the user is able to input the purpose of a journey at the start of the journey using an in-vehicle screen or a SmartPhone application or alternatively, the purpose of the journey can be recorded using the Information System. What is necessary is that under either method, the reason recorded for each business journey is sufficiently descriptive so as to enable the journey to be classified as a business journey.

40. In addition, the definition of log book records requires each of the entries to be made in the English language at, or as soon as reasonably practical after, the end of the journey. The first of these requirements is met as the entries are recorded in English.

41. Generally, the second of the requirements will be met as the driver at the start of the journey will record the purpose of each journey using the in-vehicle screen or SmartPhone application. However, there may be occasions on which it is not practical to enter this information at the start of the journey. In such a situation, the purpose of the journey can be entered at a later time using the Information System. Provided this occurs within a week of the journey occurring, it will be accepted that the entry was made as soon as practical after the end of the journey.

42. Therefore, the *Vehicle Logbook Report* will satisfy the requirements of the definition of 'log book records' in subsection 136(1) of the FBTAA provided:

- the report is for an applicable log book period;
- the purpose of the journey recorded using the in-vehicle screen, SmartPhone application or the Information System is sufficiently descriptive to enable the journey to be classified as a business journey;
- the purpose of any journey classified as being a business journey is entered within a week of the journey occurring.

Does the Vehicle Logbook Report satisfy the requirements of section 28-125 of the ITAA 1997?

43. Division 28 of the ITAA 1997 provides four methods that can be used by an individual or alternatively by a partnership (that includes at least one individual) to calculate the amount of the income tax deduction that can be claimed for car expenses.

44. One of the methods is the 'log book' method which is contained in subdivision 28-F of the ITAA 1997. To be able to use this method, the substantiation requirements set out in section 28-100 of the ITAA 1997 must be met.

45. Section 28-100 of the ITAA 1997 requires:

- the car expenses to be substantiated in accordance with Subdivision 900-C of the ITAA 1997;
- a log book to be kept in accordance with Subdivision 28-G of the ITAA 1997;
- odometer records to be kept in accordance with the requirements in Subdivision 28-H of the ITAA 1997 for the period of the year for which the car was held;
- an estimate to be made of the number of business kilometres and the business use percentage;
- the log book and odometer records to be retained.

46. Section 28-115 of the ITAA 1997 sets out the circumstances in which a log book will need to be kept. The circumstances include the making of a decision to keep a log book in a year in which it is not otherwise required to be kept.

47. In using the Easy2Log system to record the details of journeys undertaken in a particular year a Procon customer will be taken to have chosen to keep a log book for that year.

48. Section 28-120 requires the log book to cover a continuous period of 12 weeks, unless the car is held for less than 12 weeks. If the car is held for less than 12 weeks, the log book must be kept for the period for which the car was held.

49. Section 28-125 of the ITAA 1997 sets out the way in which a log book is to be kept. Section 28-125 states:

28-125(1)

It is in your interests to record in the log book any journey made in the *car during the log book period in the course of producing your assessable income. If a journey is not recorded, the log book will indicate a lower *business use percentage than is actually the case.

28-125(2)

A journey is recorded by making in the log book an entry specifying:

- (a) the day the journey began and the day it ended;
- (b) the *car's odometer readings at the start and end of the journey;
- (c) how many kilometres the car travelled on the journey;
- (d) why the journey was made.

The record must be made at the end of the journey or as soon as possible afterwards.

28-125(3)

If 2 or more journeys in a row are made in the *car on the same day in the course of producing your assessable income, they can be recorded as a single journey.

28-125(4)

The following must be entered in the log book:

- (a) when the log book period begins and ends;
- (b) the *car's odometer readings at the start and the end of the period;
- (c) the total number of kilometres that the car travelled during the period;
- (d) the number of kilometres that the car travelled, in the course of producing your assessable income, on journeys recorded in the log book;

- (e) the number of kilometres referred to in paragraph (d), expressed as a percentage of the total number referred to in paragraph (c).

Each of the entries must be made at or as soon as possible after the start or end of the period, as appropriate.

28-125(5)

Each entry in the log book must be in English.

50. In considering these conditions, the GPS Tracking device records data for each journey undertaken in the car. Therefore, it complies with subsection 28-125(1) of the ITAA 1997.
51. Paragraph 28-125(2)(a) of the ITAA 1997 requires the day the journey began and the day it ended to be entered for each journey. This requirement is met as the *Vehicle Logbook Report* provides details of the time and date on which each journey began and ended.
52. Paragraph 28-125(2)(b) of the ITAA 1997 requires the car's odometer readings at the start and end of each journey to be recorded. As discussed at paragraphs 32 to 37 of this Ruling in relation to paragraph (d) of the definition of 'log book records' in subsection 136(1) of the FBTA, it is accepted that the opening and closing odometer readings calculated by the Information System for the start and end of each journey are of sufficient integrity to be odometer readings at the start and end of each journey.
53. Paragraph 28-125(2)(c) of the ITAA 1997 requires the number of kilometres travelled by the car in the course of each business journey to be shown. This requirement is met as the *Vehicle Logbook Report* shows the total number of kilometres travelled during each trip.
54. Paragraph 28-125(2)(d) of the ITAA 1997 requires the reason for the journey to be shown. The user is able to input the reason for the journey at the start of the journey using an in-vehicle screen or a SmartPhone application. Alternatively, the reason for the journey can be recorded using the Information System. Therefore, this requirement will be met provided the reason recorded for each business journey is sufficiently descriptive so as to enable the journey to be classified as a business journey.
55. In addition, subsection 28-125(2) of the ITAA 1997 requires the entries to be made at, or as soon as possible after the end of the journey. As discussed at paragraph 41 of this Ruling, provided the purpose of the journey is entered at the start of the journey, or within a week of the journey occurring, it is accepted the entry was made as soon as practicable after the end of the journey.
56. Subsection 28-125(4) of the ITAA 1997 requires the following details to be entered into the log book:
- the date on which the log book period begins and ends;

- the car's odometer readings at the start and end of the period;
- the total number of kilometres that the car travelled in the period;
- the number of kilometres that the car travelled in the course of producing assessable income on journeys recorded in the log book;
- the number of kilometres that the car travelled in the course of producing assessable income as a percentage of the total number of kilometres travelled during the period.

57. The *Vehicle Logbook Report* will satisfy each of these requirements as it includes:

- the start and end dates;
- the car's odometer readings at the beginning and end of the period;
- the total number of kilometres travelled by the car during the period;
- the total number of kilometres that the car travelled in the course of producing assessable income during the period;
- the number of kilometres travelled in the course of producing assessable income as a percentage of the total number of kilometres travelled during the period.

58. In addition, subsection 28-125(4) of the ITAA 1997 requires each of the entries to be made at, or as soon as possible after the start or end of the period as appropriate and subsection 28-125(5) of the ITAA 1997 requires each entry to be in English. As discussed at paragraphs 40 and 41 of this Ruling, the *Vehicle Logbook Report* satisfies both of these requirements.

59. Therefore, the *Vehicle Logbook Report* will satisfy the requirements of section 28-125 of the ITAA 1997 provided:

- the report is for the period specified in section 28-120 of the ITAA 1997;
- the reason for the journey is sufficiently descriptive to enable the journey to be classified as a business journey;
- the reason for any journey classified as being a business journey is entered within a week of the journey occurring.

Appendix 2 – Detailed contents list

60. The following is a detailed contents list for this Ruling:

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References

Previous draft:

Not previously issued as a draft

Related Rulings/Determinations:

TR 2006/10

Subject references:

- car fringe benefits
- log book records
- odometer records

- FBTA 1986 162H(1)
- ITAA 1997 Div 28
- ITAA 1997 Subdiv 28-F
- ITAA 1997 Subdiv 28-G
- ITAA 1997 Subdiv 28-H
- ITAA 1997 28-100
- ITAA 1997 28-115
- ITAA 1997 28-120
- ITAA 1997 28-125
- ITAA 1997 Subdiv 900-C
- TAA 1953
- Copyright Act 1968

Legislative references:

- FBTA 1986 10
- FBTA 1986 10A
- FBTA 1986 10B
- FBTA 1986 136(1)
- FBTA 1986 162G(1)

Other references:

- The Macquarie Dictionary on-line

ATO references

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