

***CR 2006/104 - Fringe benefits tax: employers who use the Intelematics Fleet Telematics system as a means to record log book entries when calculating the taxable value of car fringe benefits for the purposes of Division 2 of Part III of the Fringe Benefits Tax Assessment Act 1986***

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 This document has changed over time. This is a consolidated version of the ruling which was published on *1 April 2006*



## Class Ruling

Fringe benefits tax: employers who use the Intelematics Fleet Telematics system as a means to record log book entries when calculating the taxable value of car fringe benefits for the purposes of Division 2 of Part III of the *Fringe Benefits Tax Assessment Act 1986*

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**ⓘ 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, we must apply the law to you in the way set out in the ruling (or in a way that is more favourable for you if we are satisfied that the ruling is incorrect and disadvantages you, and we are 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:
- paragraph 9(2)(d) of the *Fringe Benefits Tax Assessment Act 1986* (FBTAA);
  - section 10 of the FBTAA;
  - section 10A of the FBTAA;
  - section 10B of the FBTAA; and
  - subsection 136(1) of the FBTAA.

## Class of entities

3. The class of entities to which this Ruling applies are employers who use the Intelomatics Fleet Telematics in the calculation of the taxable value of their car fringe benefits.

## Qualifications

4. The Commissioner makes this Ruling based on the precise scheme identified in this Ruling.

5. 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 13 to 20 of this Ruling.

6. 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.

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## Date of effect

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8. This Ruling applies from 1 April 2006. However, the Ruling does not apply to taxpayers to the extent that it conflicts with the terms of settlement of a dispute agreed to before the date of issue of the Ruling. Furthermore, the Ruling only applies to the extent that:

- it is not later withdrawn by notice in the *Gazette*; or
- the relevant provisions are not amended.

9. If this Class Ruling is inconsistent with a later public or private ruling, the relevant class of entities may rely on either ruling which applies to them (item 1 of subsection 357-75(1) of Schedule 1 to the *Taxation Administration Act 1953* (TAA)).

10. If this Class Ruling is inconsistent with an earlier private ruling, the private ruling is taken not to have been made if, when the Class Ruling is made, the following two conditions are met:

- the income year or other period to which the rulings relate has not begun; and
- the scheme to which the rulings relate has not begun to be carried out.

11. If the above two conditions do not apply, the relevant class of entities may rely on either ruling which applies to them (item 3 of subsection 357-75(1) of Schedule 1 to the TAA).

## **Withdrawal**

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12. This Ruling is withdrawn and ceases to have effect after 31 March 2011. However, the Ruling continues to apply after its withdrawal in respect of the relevant provisions ruled upon to all persons within the specified class who entered into the specified scheme during the term of the Ruling, subject to there being no change in the scheme or in the person's involvement in the scheme.

## **Scheme**

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13. The scheme that is the subject of the Ruling is described below and is based on the documents listed below. These documents or relevant parts of them, as the case may be, form part of and are to be read with this description. The relevant documents or parts of documents incorporated into this description of the scheme are:

- the application for Class Ruling dated 19 May 2006; and
- the letter providing further information dated 4 July 2006.

14. Intelematics Australia Pty Ltd has developed a technology known as Fleet Telematics to monitor the usage of motor vehicles provided to employees by their employer.

15. The following two alternative versions of this system have been developed:

- the Vehicle Integrated Intelematics Fleet System; and
- the Non vehicle Integrated Fleet System.

**Vehicle Integrated Telematics Fleet System**

16. The Vehicle Integrated Telematics Fleet System is integrated with the vehicle as part of the vehicle manufacturing process. It uses the vehicle engine management system to record the odometer reading at the beginning and end of the trip. The system collects the following information:

<b>Information</b>	<b>Collection Method</b>
<b>Journey – Start</b>	
Location	Global Positioning System (GPS) Satellite information is captured and returned to the In-Vehicle Telematics Unit (IVU) when the ignition is turned on.
Time/Date	Time and Date is collected from the GPS Satellite information and returned to the IVU at the time the ignition is turned on.
Odometer	Odometer information is collected from the Vehicle Bus or vehicle Local Area Network at the time the ignition is turned on.
<b>Journey – End</b>	
Location	GPS Satellite information is captured and returned to the IVU when the ignition is turned off.
Time/Date	Time and Date is collected from the GPS Satellite information and returned to the IVU at the time the ignition is turned off.
Odometer	Odometer information is collected from the Vehicle Bus or vehicle Local Area Network at the time the ignition is turned off.
Purpose of journey	Use is collected via the in journey selection button. The driver is prompted when the ignition is turned on to select private or business use (no selection is defaulted to private use).

**Non vehicle Integrated Fleet System**

17. The Non vehicle Integrated Fleet System is not integrated with the vehicle, but uses GPS tracking to determine the distance travelled on each trip. The system collects the following information:

<b>Information</b>	<b>Collection Method</b>
<b>Journey – Start</b>	
Location	GPS Satellite information is captured and returned to the IVU when the ignition is turned on.
Time/Date	Time and Date is collected from the GPS Satellite information and returned to the IVU at the time the ignition is turned on.
Odometer	Odometer information is collected from the IVU which captures GPS odometer information via distance travelled through regular polling of the location (every 100 metres).
<b>Journey – End</b>	
Location	GPS Satellite information is captured and returned to the IVU when the ignition is turned off.
Time/Date	Time and Date is collected from the GPS Satellite information and returned to the IVU at the time the ignition is turned off.
Odometer	Odometer information is collected from the IVU which captures GPS odometer via distance travelled through regular polling of the vehicle location.
Purpose of journey	Use (Business or private) is collected via a driver button press of a dedicated in-vehicle button.

18. The information on vehicle journeys for both systems is sent via the mobile phone network to be stored on a central server where it is combined with other information with regard to business journeys that are manually entered via the web portal.

19. All data sent over the Global System for Mobile Communications (GSM) telecommunication networks is encrypted to ensure secure transmission.

20. A secure username/password login is required to access the data on the website. Users can only access data and vehicles linked to the login. Access to the fleet portal is via secure link and all passwords are encrypted in the database. Users have a restricted number of login attempts before their account is locked.

## Ruling

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21. The report produced by the Intelematics Fleet Telematics System fleet software is acceptable as evidence of the kilometres travelled by the car during the year for the purpose of calculating the statutory fraction in terms of paragraph 9(2)(c) of the FBTAA.

22. The software can also be used to meet the requirements of 'log book records' for the purposes of section 10A of the FBTAA if details of the business journeys are entered via the web portal as soon as reasonably practicable after the end of the journey.

23. The software will also meet the requirements of providing odometer records for the purposes of both sections 10A and 10B of the FBTAA.

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**Commissioner of Taxation**

18 October 2006

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## Appendix 1 – Explanation

**ⓘ** *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.*

24. The FBTA allows the taxable value of a car fringe benefit to be calculated using either:

- the statutory formula method; or
- the operating cost method.

### Statutory formula method

25. Subsection 9(1) of the FBTA provides the following formula for calculating the taxable value of a car fringe benefit:

$$\frac{ABC - E}{D}$$

where:

**A** is the base value of the car;

**B** is the statutory fraction;

**C** is the number of days during that year of tax on which the car fringe benefits were provided by the provider;

**D** is the number of days in that year of tax; and

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

26. In order to determine the 'statutory fraction', the annualised number of kilometres travelled by the car during the year of tax needs to be calculated in accordance with the formula:

$$\frac{AB}{C}$$

where:

**A** is the number of whole kilometres travelled by the car during the period in the year of tax when the car was held by the provider;

**B** is the number of days in the year of tax; and

**C** is the number of days in the holding period.

27. Both the vehicle and non vehicle Integrated Telematics Fleet Systems record the number of whole kilometres travelled by the car during the period in the year of tax when the car was held by the provider.

### Operating cost method

28. Section 10 of the FBTA enables employers to elect to use the operating cost method to calculate the taxable value of a car fringe benefit.

29. The taxable value of the car fringe benefit where this method is used will be calculated in accordance with the following formula:

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

where:

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

**BP** is either:

- nil if, under section 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
- the business use percentage applicable to the car for the holding period; and

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

30. Employers who want to reduce the operating costs to take account of the business use percentage are required to keep the information set out in sections 10A and 10B of the FBTA.

31. Section 10A which applies to a 'log book year of tax' requires an employer to keep various records which are inclusive of but not limited to:

- a log book recording details of business journeys undertaken in the car for a continuous period of at least 12 weeks;
- odometer records of the total kilometres travelled during the log book period; and
- odometer records of the total kilometres travelled during the year.

32. Section 10B which applies to a year which is not a log book year of tax requires an employer to keep various records including odometer records of the total kilometres travelled during the year.

## Log book records

33. The definition of 'log book records' in subsection 136(1) requires the following information to be recorded in respect of each business journey undertaken during the log book period in the car:

- the date on which the journey began and ended;
- the respective odometer readings at the beginning and end of the journey;
- the number of kilometres travelled in the course of the journey; and
- the purpose or purposes of the journey.

34. Although the system prompts the driver to use the in-vehicle button to select private or business use when the ignition is turned on, this selection by itself will not satisfy the log book requirement for the purpose or purposes of the journey to be recorded.

35. The objective of the log book requirements is to provide satisfactory evidence of the extent of business journeys undertaken in a car during a particular period. An entry merely recording a journey as business such as that which would be achieved merely through pushing a 'journey selection button' will be insufficient for this purpose. As a general rule, the entry whilst not necessarily indicating the destination should be sufficiently descriptive of the purpose of the journey to enable it to be characterised as a business journey.

36. On that basis, the requirement that the purpose or purposes of the journey be recorded will not be satisfied unless sufficient details of the purpose of the journey are entered manually via the web portal as soon as reasonably practicable after the end of the journey.

37. Should this occur, the information provided by the Intelomatics Fleet Telematics System will satisfy the conditions to be 'log book records' for the purpose of section 10A of the FBTAA.

### **Odometer readings**

38. The definition of 'odometer records' in subsection 136(1) of the FBTAA requires the odometer readings of the car to be recorded at the commencement and end of the relevant period.

39. As the Fleet Telematics System records the respective odometer readings when the ignition is turned on and off it will provide the necessary odometer readings for the purpose of sections 10A and 10B of the FBTAA.

## Appendix 2 – Detailed contents list

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

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## References

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*Previous draft:*

Not previously issued as a draft

*Subject references:*

- car fringe benefits
- fbt business journey
- fbt car substantiation
- fbt log book records
- fbt odometer records
- fbt operating costs
- fbt records
- fbt statutory formula
- fringe benefits
- fringe benefits tax

*Legislative references:*

- FBTA 1986 Pt III Div 2
- FBTA 1986 9(1)
- FBTA 1986 9(2)(c)
- FBTA 1986 9(2)(d)
- FBTA 1986 10
- FBTA 1986 10A
- FBTA 1986 10B
- FBTA 1986 136(1)
- Copyright Act 1968
- TAA 1953
- TAA 1953 Sch 1 357-75(1)

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ATO references

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