

CR 2008/86 - Fringe benefits tax: employers who use the SG Fleet Australia Pty Limited telematics system

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Class Ruling

Fringe benefits tax: employers who use the SG Fleet Australia Pty Limited telematics system

Contents	Para
LEGALLY BINDING SECTION:	
What this Ruling is about	1
Date of effect	8
Scheme	9
Ruling	19
NOT LEGALLY BINDING SECTION:	
Appendix 1:	
<i>Explanation</i>	22
Appendix 2:	
<i>Detailed contents list</i>	38

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 provisions 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:

- section 9 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 is all employers who use the SG Fleet Australia Pty Limited telematics system 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 9 to 18 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

8. This Ruling applies from 1 April 2008. 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 relevant documents or parts of documents incorporated into this description of the scheme are:

- the application for Class Ruling dated 6 August 2008; and
- information provided subsequently by letter and email.

10. SG Fleet Australia Pty Limited has developed the telematics system as a means of recording log book entries.

11. The telematics system is a non-integrated fleet vehicle system that records the time at which each journey starts and finishes, the destination, the kilometres travelled and allows the driver to record a journey as being for either business or private purposes.

12. At the start of a journey the following information is collected.

Location: GPS satellite information is captured and returned to the in vehicle unit (IVU) when the ignition is turned on. This includes longitude and latitude.

Time/Date: Time and date are collected from the GPS satellite and returned to the IVU at the time the ignition is turned on.

Employee ID: Where requested, a RFID (Radio Frequency Identification) unit will be installed in the vehicle and will recognise the identification of the employee using a unique number of each individual RFID card and driver.

Odometer: Odometer information is collected from the IVU. The initial reading is input by the installer at the time of installation. Subsequent readings are calculated by the IVU which captures GPS odometer information via the distance travelled through regular polling of the location (every 300 metres).

Type of Journey: Business or private use details are collected via the driver pressing a button on the Mobile Data Terminal.

Purpose: Following a declaration of a business journey, the Mobile Data Terminal will display a second screen requesting the purpose for the journey to be selected from the pre-determined list. The standard in-car system will allow for the selection from up to 10 different types of business journey. The 10 selections that are pre-programmed into the telematics system will be determined by the needs of the particular employer. They may include: client visit, prospect visit, supplier visit, customer visit, competitor visit, conference, support call, service call, emergency response, delivery and pick up.

Audio reminder: A buzzing sound will be heard for a period of time after the ignition is turned on and will stop when private or both business and a related purpose are selected. If these details are not selected the buzzing sound will automatically timeout.

13. At the end of a journey the following information is collected.

Location: GPS satellite information is captured and returned to the IVU when the ignition is turned off. This includes longitude and latitude.

Time/Date: Time and date are collected from the GPS satellite 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 information via the distance travelled through regular polling of the location (every 300 metres) and is sent again at the time the ignition is turned off.

14. All information on vehicle journeys is sent via the mobile network to be stored on a central server. Should the mobile network not be available, all data is stored on the IVU until such time as the network becomes available again. All information sent via the mobile network will be encrypted to ensure secure transmission. All information will be backed up to ensure safety of the information in the event of a disaster. All Administrator Level Users will be given an individual User Name and Password for access to the web portal for the FBT software component.

15. Each IVU has an inbuilt battery unit that will continue to record and provide a signal in the event of vehicle battery failure.

16. When the purpose of the journey does not fit within the 10 possible selections the driver can elect not to select a purpose for that particular journey. However, the driver will be able to subsequently log into the FBT software to manually update the purpose of the journey. Should any record details be incomplete the administrator will be notified of these omissions by an exception report and will be able to take the appropriate action to correct the record.

17. An employer will be able to use the FBT software to produce a report for any selected period for each vehicle that has the telematics system fitted. The report will provide the following information for each journey undertaken in the selected period:

- the start time and date;
- the driver's name (where the identification unit is installed);
- the odometer reading at the commencement of the journey;
- the location from which the journey commenced;
- the time and date on which the journey was completed;

- the odometer reading at the completion of the journey;
 - the location at which the journey was completed;
 - the kilometres travelled;
 - whether the journey was business, or private; and
 - the purpose of the trip.
18. The report will also provide details of:
- the total number of kilometres travelled during the selected period;
 - the number of private kilometres travelled during the selected period;
 - the number of business kilometres travelled during the selected period; and
 - the calculated business use percentage for the selected period.

Ruling

19. The report produced from the use of the telematics system is acceptable as evidence of the kilometres travelled by the car for the period in the year of tax when the car was held and can be used to provide the number of whole kilometres travelled by the car for the purposes of paragraph 9(2)(d) of the FBTAA.

20. The report produced from the use of the telematics system can meet the requirements of 'log book records' for the purposes of section 10A of the FBTAA where accurate details of the business journeys are entered.

21. The report will also meet the requirements of providing odometer records for the purposes of section 10A or 10B of the FBTAA.

Commissioner of Taxation

3 December 2008

Appendix 1 – Explanation

1 *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.*

22. The FBTAA 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

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

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

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.

24. 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 provided in paragraph 9(2)(d) of the FBTAA:

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

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.

25. The report generated through the use of the non-integrated telematics system provides details of 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

26. 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.

27. 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 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
- the business use percentage applicable to the car for the holding period; and

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

28. 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.

29. 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.

30. 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

31. The definition of 'log book records' in subsection 136(1) of the FBTA 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.

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

33. 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. The telematics system allows for the selection of up to 10 different types of business journey from a pre-programmed list.

34. Where a selection from the pre-programmed list does not accurately describe the purpose of the journey the record will subsequently be manually updated to record the actual purpose of the journey.

35. The report can be produced for any selected period and for any vehicle to which the telematics system is fitted. Where this report is generated for an applicable log book period it can satisfy the information requirements of section 10A of the FBTAA and be accepted as 'log book records'.

Odometer readings

36. 'Odometer' is not defined in the FBTAA, but the Macquarie Dictionary defines it as being 'an instrument for measuring distance passed over, as by a motor vehicle'.

37. 'Odometer records', as defined in subsection 136(1) of the FBTAA makes reference to 'odometer readings **of the car**' at the beginning and end of the relevant period. In this regard, it is concluded that, it does not necessarily mean that such readings must be attributable either wholly or in part to the rotation of the car's wheels thereby activating the standard odometer fitted to the car by the manufacturer. The Commissioner therefore may accept other non standard odometer devices being used, subject to the integrity of those devices being established. As the telematics system records the odometer readings at the relevant times when the ignition is turned on and off, the report will provide the necessary odometer readings for the purposes of section 10A or 10B of the FBTAA.

Appendix 2 – Detailed contents list

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

	Paragraph
What this Ruling is about	1
Relevant provision(s)	2
Class of entities	3
Qualifications	4
Date of effect	8
Scheme	9
Ruling	19
Appendix 1 – Explanation	22
Statutory formula method	23
Operating cost method	26
Log book records	31
Odometer readings	36
Appendix 2 – Detailed contents list	38

References

Previous draft:

Not previously issued as a draft

Related Rulings/Determinations:

TR 2006/10

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:

- FBTAA 1986 9
- FBTAA 1986 9(1)
- FBTAA 1986 9(2)(d)
- FBTAA 1986 10
- FBTAA 1986 10A
- FBTAA 1986 10B
- FBTAA 1986 136(1)
- TAA 1953
- Copyright Act 1968

Other references:

- The Macquarie Dictionary,
[Multimedia], version 5.0.0,
1/10/01

ATO references

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