


***CR 2018/47 - Fringe benefits tax: employer clients of Smartgroup Corporation Ltd's wholly-owned subsidiaries who use the Smartgroup Logbook Solution for car logbook records and odometer records***

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## Class Ruling

### Fringe benefits tax: employer clients of Smartgroup Corporation Ltd's wholly-owned subsidiaries who use the Smartgroup Logbook Solution for car logbook records and odometer records

Contents Para

**LEGALLY BINDING SECTION:**

**Summary – what this Ruling is about** 1

**Date of effect** 7

**Scheme** 8

**Ruling** 27

**NOT LEGALLY BINDING SECTION:**

**Appendix 1:**

**Explanation** 33

**Appendix 2:**

**Detailed contents list** 88

**❗ This publication provides you with the following level of protection:**

This publication (excluding appendices) 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.

## Summary – 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 provisions

2. The relevant provisions dealt with in this ruling are:

- section 10A of the *Fringe Benefits Tax Assessment Act 1986* (FBTAA)
- section 10B of the FBTAA
- subsection 136(1) of the FBTAA.

All references in this Ruling are to the FBTAA unless otherwise stated.

## Class of entities

3. The class of entities to which this Ruling applies is those employer clients who use Smartgroup Corporation Ltd's web-based log book system for car log book and odometer record-keeping requirements through Smartgroup Corporation Ltd's wholly-owned subsidiaries. These wholly-owned subsidiaries include Smartfleet Management Pty Ltd, Smartsalary Pty Limited, Salary Packaging Solutions Pty Ltd t/a Advantage Salary Packaging, Fleet West Pty Ltd, Salary Solutions Australia Pty Ltd, AccessPay Pty Ltd, Autopia Management Pty Ltd and/or Selectus Pty Ltd (collectively herein referred to as 'Smartgroup').

## 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 8 to 26 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.

## Date of effect

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7. This Ruling applies from 1 April 2018 to 31 March 2023. The Ruling continues to apply after 31 March 2023 to all entities within the specified class who entered into the specified scheme during the term of the Ruling. 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 *Public Rulings*).

## Scheme

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8. The following description of the scheme is based on information provided by the applicant.

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

9. The Smartgroup Logbook Solution is a web-based log book system which can be used to log the journeys of a car during a pre-determined period. The Smartgroup Logbook Solution offers a default 12 week period but allows the log book to record any period of time as determined by the user.

10. The Smartgroup Logbook Solution consists of the following features:

- car and employee registration with secure login and password features
- mobile and tablet responsive, allowing the driver to classify journey information and record the purpose of each journey
- secure remote data management platform (Platform) that securely receives, processes, reports and stores journey information
- reporting module to generate reports
- ability to choose from a 12 week log type or a continuous log type
- ability to choose recording of 'business only' trips or 'all trips' (that is, including private trips)
- a trip classification help guide for employee's reference
- automatic email reminder to enter last trip for a 12 week log if time period has elapsed
- system automatically wraps up the log book and notifies the driver after entering the last trip for a 12 week log
- ability to download log book report with trip details in 'CSV' format
- automatic calculation of business percentage and private percentage in a log book report, and
- system automatically checks trip reason – if it is not one of the reasons pre-loaded into the system tailored to the applicable employer client's business purposes, the system will request that the driver provide more details.

11. The user is prompted to enter the following information prior to commencing the first trip for which the Smartgroup Logbook Solution is used:

- login and password details
- opening odometer reading from the car's built-in odometer, and

- car registration details, including number plate registration, year of manufacture, manufacturer, model and engine capacity.

12. The user provides information to set up the user account at the time of registration. This information includes the following:

- name of driver
- car registration
- car make and model
- email address for user notifications and the Smartgroup Logbook Solution configuration, and
- login and password details.

13. This information is stored securely on the Platform.

14. The Platform processes the data entered and generates a log for the specific device which represents the individual driver. Part of the processing includes collation of various entries to create individual trips referred to in the Smartgroup Logbook Solution as a 'Trip Log'.

15. The Smartgroup Logbook Solution allows the user to view, review and report on all data. The journey identifies the user's classification of the trip as either business or personal using the available selection menu. There is also a display of the current business use percentage based on the Trip Logs that have already been classified.

16. The Smartgroup Logbook Solution calculates and displays 'business use percentage' and 'personal use percentage' with the percentage calculated using the following formula:

#### **Business Percentage**

$$\frac{\text{Number of business kilometres travelled by the car during the holding period}}{\text{Total number of kilometres travelled by the car during the holding period}} \times 100$$

#### **Personal Percentage**

$$\frac{\text{Number of personal kilometres travelled by the car during the holding period}}{\text{Total number of kilometres travelled by the car during the holding period}} \times 100$$

17. The Smartgroup Logbook Solution calculates both the number of business kilometres and the total number of kilometres travelled by the car during the holding period where it is used continuously for the whole of the period of the year for which the car is held thereby calculating the business use percentage for the holding period.

18. Where the Smartgroup Logbook Solution is not continuously used for the whole of the period of the year for which the car is held, the system will not record the number of business kilometres travelled during the holding period nor the total number of kilometres travelled during the holding period. The user will need to separately determine the business use percentage using the estimated number of business kilometres and the odometer readings from the beginning and end of the holding period.

### **Trip Report**

19. An employer client can, at any stage, export a progress report of trip data outlining all trips completed during the log book period. The employer client can then use the information contained within the Smartgroup Logbook Solution to generate a 'Trip Report' on demand as required, which details each individual journey undertaken by each car.

20. The Trip Report provides the following information for each journey undertaken in the selected period:

- the start and end date of the log book period
- the car's description
- the start and end date of which each journey occurs
- the start and end odometer readings
- the total distance for the journey
- the private distance for the journey
- the business distance for the journey
- the driver identification
- the purpose of the journey
- the address (that is, the location details for the journey)
- the total distance for the entire reporting period (per car basis)
- the total private distance for the entire reporting period (per car basis), and
- the total business distance for the entire reporting period (per car basis).

21. In relation to the trip purpose, each Smartgroup Logbook Solution employer client can customise the trip purpose reason in the Trip Report to suit their own business. That is, Smartgroup Logbook Solution employer clients may wish to have any number of trip purposes all relating to the business usage – for example, 'client care visit', 'call out trip', 'delivery' etc.

22. An employer client will use the Smartgroup Logbook Solution to produce, in English, a Trip Report for any selected period for each car that has the system fitted and/or each employee who uses the car that has the system fitted.

23. The Trip Report also provides details of the calculated business use percentage for the selected period based on the information contained in the Smartgroup Logbook Solution.

24. All employer clients using the Smartgroup Logbook Solution will make an election under paragraph 162G(1)(b) to treat a relevant current year of tax as a 'log book year of tax'.

## **FBT Logbook Report**

25. The employer client can use the information contained in the Smartgroup Logbook Solution to generate a 'FBT Logbook Report' which provides details of the calculated business use percentage for the selected period.

26. The FBT Logbook Report provides:

- the start and end date of the log book period
- the car's registration number
- the car's description, including make/model and engine capacity
- the start and end date of which each journey occurs
- the start and end odometer readings
- the total distance for the journey
- the private distance for the journey
- the business distance for the journey
- the purpose of the journey
- the total distance for the entire reporting period (per car basis)
- the total private distance for the entire reporting period (per car basis), and
- the total business distance for the entire reporting period (per car basis).

## **Ruling**

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27. The Smartgroup Logbook Solution's 'Trip Report' and 'FBT Logbook Report' are documents which satisfy the requirements of the definition of 'log book records' in subsection 136(1).

28. The Smartgroup Logbook Solution's 'Trip Report' and 'FBT Logbook Report' are documents that satisfy the requirements of the definition of 'odometer records' in subsection 136(1).

29. An employer in a log book year of tax who uses the Smartgroup Logbook Solution continuously for:

- the duration of the 'applicable log book period' as that term is defined in subsection 162H(1), and
- the whole of the 'holding period' as that term is defined in section 162C,

satisfies the requirements in section 10A and is entitled to claim a reduction of operating costs.

30. An employer in a log book year of tax who uses the Smartgroup Logbook Solution continuously for:

- the duration of the 'applicable log book period' as that term is defined in subsection 162H(1), and
- does not use the Smartgroup Logbook Solution continuously for the whole of the 'holding period' as defined in section 162C

satisfies the requirements in section 10A and is entitled to claim a reduction of operating costs provided the employer:

- separately records the odometer readings for the beginning and end of the period of the year for which the car was held
- estimates the number of business kilometres travelled by the car during the period of the year for which the car was held using all relevant matters including the Smartgroup Logbook Solution's 'Trip Report' and 'FBT Logbook Report', odometer records and any variations in the pattern of use of the car, and
- specifies the business use percentage for the period of the year for which the car was held using the estimated number of business kilometres and the odometer readings for the beginning and end of the holding period.

31. An employer in a non-log book year of tax who uses the Smartgroup Logbook Solution's 'Trip Report' and 'FBT Logbook Report' continuously for the whole of the 'holding period', as that term is defined in section 162C, satisfies the requirements in section 10B and is entitled to claim a reduction of operating costs.

32. An employer in a non-log book year of tax who has used the Smartgroup Logbook Solution in one of the previous four FBT years continuously for an 'applicable log book period' but:

- does not use the system in that year of tax, or



- does not use it for the whole of the period that the car is held

satisfies the requirements in section 10B and will be entitled to claim a reduction of operating costs of the car on account of business journeys undertaken in the car during the holding period provided the employer:

- separately records odometer readings for the beginning and end of the period of the year for which the car was held
- estimates the number of business kilometres travelled by the car during the period of the year for which the car was held using all relevant matters including the Smartgroup Logbook Solution's 'Trip Report' and 'FBT Logbook Report', odometer records and any variations in the pattern of use of the car, and
- specifies the business use percentage for the period of the year for which the car was held using the estimated number of business kilometres and the odometer readings for the beginning and end of the holding period.

## 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.*

### What is the operating cost method under section 10?

33. Section 10 allows employers to elect to calculate the taxable value of a car fringe benefit using the cost basis method (operating cost method).

34. Where the election is made, the taxable value of the car fringe benefit using the operating cost method is calculated according to the following formula in subsection 10(2):

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

where:

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

**BP** is:

- (a) 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 – nil; or
- (b) ...
- (c) in any other case – the business use percentage applicable to the car for the holding period; and

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

35. Therefore, an employer intending to claim a reduction in the operating cost of a car, on account of business journeys undertaken during the holding period, must meet the requirements of either section 10A (if the year is a 'log book year of tax' (as defined below)) or section 10B (if the year is not a 'log book year of tax'), as applicable.

### Do the Trip Report and FBT Logbook Report generated by Smartgroup's web-based log book system (the Smartgroup Logbook Solution) meet the relevant requirements of section 10A?

36. Section 10A states:

#### **10A NO REDUCTION OF OPERATING COST IN A LOG BOOK YEAR OF TAX UNLESS LOG BOOK RECORDS AND ODOMETER RECORDS ARE MAINTAINED**

Where one or more car fringe benefits in relation to an employer in relation to a year of tax relate to a car while it was held by a particular person (in this section called the **provider**) during a particular period (in this section called the **holding period**) in a year

of tax that is a log book year of tax of the employer in relation to the car, the employer is entitled to a reduction in the operating cost of the car on account of business journeys undertaken in the car during the holding period if, and only if:

- (a) log book records and odometer records are maintained by or on behalf of the provider for an applicable log book period in relation to the car; and
- (b) odometer records are maintained by or on behalf of the provider for the holding period; and
- (c) if the provider is not the employer – those log book records and odometer records are given to the employer before the declaration date; and
- (d) the employer specifies the employer's estimate of the number of business kilometres travelled by the car during the holding period; and
- (e) the employer specifies a percentage as the business use percentage applicable to the car in relation to the provider for the holding period.

37. Section 162G sets out various circumstances under which a particular year can be treated as a 'log book year of tax'. It is accepted that all employer clients using the Smartgroup Logbook Solution will make an election under paragraph 162G(1)(b) to treat a relevant current year of tax as a 'log book year of tax'.

**Do the Trip Report and the FBT Logbook Report generated by Smartgroup's web-based log book system (the Smartgroup Logbook Solution) satisfy the requirements of the definition of 'log book records' under subsection 136(1)?**

38. Subsection 136(1) defines 'log book records' as:

**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.

39. The Smartgroup Logbook Solution's web-based log book system collects all applicable information for each journey undertaken by a car (that is, it records the location, date, purpose and distance travelled for each journey) and automatically sends the data to the Smartgroup Logbook Solution's centralised server.

40. In addition to this, the business use or private use details for each journey are input by each respective driver through the Smartgroup Logbook Solution's online portal. The relevant employer client then uses the Smartgroup Logbook Solution to produce, in English, a Trip Report and a FBT Logbook Report for the selected period.

41. Paragraph (c) of the definition of 'log book records' in subsection 136(1) requires the date on which the journey began and ended to be entered in the relevant records. The Smartgroup Logbook Solution records the start and end dates and times of each journey and this information is detailed in both the Trip Report and the FBT Logbook Report. Therefore, this requirement is satisfied.

42. 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.

43. The term 'odometer' is not defined in either the FBTAA or the *Income Tax Assessment Act 1997* but the Macquarie Dictionary (online edition) defines that term as being 'an instrument for measuring distance passed over, as by a motor car'.

44. The term 'odometer records', as defined in subsection 136(1) makes reference to 'odometer reading of the car'. 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.

45. Provided the device used by the Smartgroup Logbook Solution to determine the car's odometer readings is of sufficient integrity, it is accepted that a system other than the car's own odometer may meet the FBTAA legislative requirements.

46. The user is prompted to enter the opening odometer reading displayed on the car's built-in odometer prior to commencing the first trip for which the Smartgroup Logbook Solution is used. Each time the car is driven, the start and end odometer readings for the journey are automatically calculated by the Smartgroup Logbook Solution's web-based log book system from the data recorded. It is therefore accepted that the opening and closing odometer readings calculated by the Smartgroup Logbook System's web-based log book system are of sufficient integrity to be 'odometer readings of the car'.

47. It is accepted that the opening and closing odometer readings for each car journey as detailed in both the Trip Report and the FBT Logbook Report generated by the Smartgroup Logbook Solution satisfies the requirements of paragraph (d) of the definition of 'log book records' in subsection 136(1).

48. The number of kilometres travelled by the car in the course of each journey is also detailed in both the Trip Report and the FBT Logbook Report, thus satisfying the requirement in paragraph (e) of the definition of 'log book records' in subsection 136(1).

49. Paragraph (f) of the definition of 'log book records' in subsection 136(1) requires the purpose or purposes of the business journeys to be recorded. Further, the definition of 'log book records' requires that entries be made at, or as soon as reasonably practicable after, the end of the journey.

50. In relation to the trip purpose, each Smartgroup Logbook Solution employer client can customise the trip purpose reason in the Trip Report to suit their own business. That is, Smartgroup Logbook Solution clients may wish to have any number of trip purposes all relating to the business usage – for example, 'client care visit', 'call out trip', 'delivery' etc. For each journey, the driver/user classifies the journey as either business or personal using the available selection menu, and records the purpose of each journey. The system automatically checks the trip reason, and requests the driver to provide more detail if required. The Smartgroup Logbook Solution allows the user to view, review and report on all data.

51. It is expected that the reason recorded for each business journey is sufficiently descriptive so as to enable the journey to be classified as a business journey and that the relevant classification and description will be made at the end of each journey, or as soon as reasonably practicable thereafter.

52. It is accepted that both the Smartgroup Logbook Solution's Trip Report and FBT Logbook Report satisfy the requirements in paragraph (f) of the definition of 'log book records' in subsection 136(1).

53. It is considered that the Trip Report and FBT Logbook Report generated by the Smartgroup Logbook Solution is 'a daily log book or similar document' that satisfies the requirement of having the relevant entries 'made in the English language at, or as soon as reasonably practicable after, the end of the journey'.

54. The Trip Report and FBT Logbook Report generated by the Smartgroup Logbook Solution satisfy the definition of 'log book records' in subsection 136(1) provided, for the purposes of section 10A, the Trip Report and FBT Logbook Report are completed for an 'applicable log book period'.

**Are the log book records maintained for an 'applicable log book period'?**

55. The definition of 'log book records' in subsection 136(1) also requires that each business journey recorded in the log book records be in relation to a 'period'. Paragraph 10A(a) refers to 'log book records' being maintained for an 'applicable log book period'.

56. The term 'applicable log book period' is defined in subsection 162H(1) as follows:

**162H APPLICABLE LOG BOOK PERIOD****162H(1) [Car Fringe Benefit]**

For the purposes of the application of section 10 in relation to a car fringe benefit in relation to an employer in relation to a car while it was held by a particular person during a particular period (in this subsection called the '**holding period**') starting or ending in a year of tax, a reference to the applicable log book period is a reference to:

- (a) if the holding period is a period of less than 12 weeks – the holding period; or
- (b) in any other case – a continuous period of not less than 12 weeks that begins and ends during the holding period.

57. The Trip Reports and FBT Logbook Reports that are generated by the Smartgroup Logbook Solution must be for a minimum 12 week period. The log book beginning and end date is displayed on the printed log book. It is accepted that in the absence of evidence to the contrary in a particular case, all employer clients using the Smartgroup Logbook Solution's Trip Report and FBT Logbook Report in relation to any car fringe benefits that they provide will maintain the necessary records for the duration of the 'applicable log book period' (as that latter term is defined in subsection 162H(1)).

58. Accordingly, it is considered that the Trip Report and FBT Logbook Report generated by the Smartgroup Logbook Solution satisfy all of the relevant requirements of the definition of 'log book records' as defined in subsection 136(1).

**Do the Trip Report and the FBT Logbook Report generated by Smartgroup's web-based log book system (the Smartgroup Logbook Solution) satisfy the requirements of the definition of 'odometer records' under subsection 136(1)?**

59. In order to meet the requirements of section 10A, it is essential that 'odometer records' are maintained in addition to 'log book records'.

60. The term 'odometer records' is defined in subsection 136(1) as:

**odometer records**, in relation to a car, in relation to a period, means a document in which particulars of:

- (a) the odometer reading of the car at the commencement of the period; and

- (b) the odometer reading of the car at the end of the period; and
- (c) if paragraph 162K(2)(b) or 162L(2)(b) applies with effect from a particular date – the odometer readings of both the replacement car and of the original car referred to in that paragraph, as at that date;

...

are entered in the English language, at, or as soon as reasonably practicable after, the respective times to which those odometer readings relate.

61. The definition of 'odometer records' in subsection 136(1) requires that odometer readings be recorded both at the 'commencement of the period' and at the 'end of the period'.

62. The Smartgroup Logbook Solution's Trip Report and the FBT Logbook Report provide details of the odometer reading for the car at the start of the first recorded journey and also the odometer reading for the car at the end of the last recorded journey that were undertaken during each reporting period.

63. As stated at paragraph 57 of this Ruling, it is accepted that in the absence of evidence to the contrary in a particular case, all employer clients using the Smartgroup Logbook Solution's Trip Report and FBT Logbook Report in relation to any car fringe benefits they provide will maintain the necessary records for the 'applicable log book period'.

64. A report can be generated at the end of the log book period showing the odometer recordings made and the type of journey undertaken. It is accepted that the Smartgroup Logbook Solution's Trip Report and FBT Logbook Report meet the necessary requirement of having entries made in English at, or as soon as reasonably practicable after, the end of the journey.

65. It is considered that the Trip Report and the FBT Logbook Report generated by the Smartgroup Logbook Solution satisfy all of the relevant requirements of the definition of 'odometer records' as defined in subsection 136(1).

## **Are the odometer records maintained 'for the holding period'?**

66. Paragraph 10A(b) requires odometer records to be maintained for the 'holding period' as defined in section 162C.

67. Section 162C states:

### **162C HOLDING PERIOD OF CAR**

Unless the contrary intention appears, a reference in this Act to a period in a year of tax during which a person held a car is a reference to the period that:

- (a) commences on whichever of the following times is applicable:

- (i) if the person held the car at the time of commencement of the year of tax – that time;
- (ii) in any other case – the time in the year of tax when the person commenced to hold the car; and
- (b) ends at whichever of the following times is applicable:
  - (i) if the person continued to hold the car until the time of the end of the year of tax – that time;
  - (ii) in any other case – the time in the year of tax when the person ceased to hold the car.

68. Subsection 162(1) states, amongst other things, that a car will be held by a person if that person either owns or leases the car. Therefore, the continuous period during a fringe benefits tax (FBT) year (including the whole year of tax, where applicable) where the employer client either owns or leases a car will be the 'holding period' of that car.

69. Consequently, the odometer readings at the beginning and end of the period during the FBT year (including the whole year of tax, where applicable) where the employer client either owns or leases a car will have to be determined. If the Smartgroup Logbook Solution is used continuously for the whole period that a car is held during a FBT year, the Smartgroup Logbook Solution will provide the odometer readings for both the beginning and end of that holding period.

70. However, if the Smartgroup Logbook Solution is not used continuously for the whole of the holding period of the car during the FBT year, the employer client will need to separately maintain the odometer readings for the holding period.

71. It is accepted that, in the absence of any evidence to the contrary in a particular case, the requirement in paragraph 10A(b) will be met by employer clients using the Smartgroup Logbook Solution.

**Do the Trip Report and the FBT Logbook Report generated by the Smartgroup Logbook Solution enable the employer to estimate the number of business kilometres travelled during the holding period in a log book year of tax?**

72. Paragraph 10A(d) requires the employer client to estimate the number of business kilometres travelled by the car during the holding period. This estimate is used to calculate the business use percentage required by paragraph 10A(e).

73. The basis used to estimate the number of business kilometres is set out in section 162F which states:

**162F REASONABLE ESTIMATE OF NUMBER OF BUSINESS KILOMETRES**



For the purposes of this Act, the number of kilometres that represents a reasonable estimate of the number of business kilometres applicable to a car held by a person during a period in a year of tax shall be determined having regard to all relevant matters including, but without limiting the generality of the foregoing:

- (a) any log book records, odometer records or other records maintained by or on behalf of the person; and
- (b) any variations in the pattern of use of the car.

74. The Smartgroup Logbook Solution calculates both the number of business kilometres and the total number of kilometres travelled by the car during the holding period where it is used continuously for the whole of the period of the year for which the car is held. Therefore, where the Smartgroup Logbook Solution is used continuously for the whole of the period of the year for which the car is held, both the Trip Report and the FBT Logbook Report will enable the employer client to determine the number of business kilometres travelled during the holding period.

75. However, where the Smartgroup Logbook Solution is not continuously used for the whole of the period of the year for which the car is held, the system will not record the number of business kilometres travelled during the holding period, or the total number of kilometres travelled during the holding period. In such a situation, the employer client, in estimating the number of business kilometres travelled during the holding period, will need to take all relevant matters into account including any other log book records and odometer records maintained by or on behalf of the user/driver, and any variations in the pattern of use of the car.

76. It is accepted that, in the absence of any evidence to the contrary in a particular case, the requirement in paragraph 10A(d) will be met by employer clients using the Smartgroup Logbook Solution.

**Do the Trip Report and the FBT Logbook Report generated by the Smartgroup Logbook Solution enable employer clients to specify the business use percentage for the holding period in a log book year of tax?**

77. Paragraph 10A(e) requires the employer client to specify a percentage as the 'business use percentage' applicable to a car for the holding period in a log book year of tax.

78. Subsection 136(1) defines 'business use percentage' to mean the percentage worked out using the formula:

$$\frac{\text{Number of business kilometres travelled by the car during the holding period}}{\text{Total number of kilometres travelled by the car during the holding period}} \times 100\%$$

79. The Smartgroup Logbook Solution calculates both the number of business kilometres and the total number of kilometres travelled by the car during the holding period where it is used continuously for the whole of the period of the year for which the car is held. Therefore, where the Smartgroup Logbook Solution is used continuously for the whole of the period of the year for which the car is held, both the Trip Report and FBT Logbook Report automatically calculate for the employer client the business use percentage for the holding period.

80. However, where the Smartgroup Logbook Solution is not continuously used for the whole of the period of the year for which the car is held, the system will not record the number of business kilometres travelled during the holding period, nor the total number of kilometres travelled during the holding period. In such a situation, the employer client will need to separately determine the business use percentage using the estimated number of business kilometres and the odometer readings for the beginning and the end of the holding period.

81. It is accepted that, in the absence of any evidence to the contrary in a particular case, the requirement in paragraph 10A(e) will be met by employer clients using the Smartgroup Logbook Solution.

**Conclusion on whether the Trip Report and FBT Logbook report generated by the Smartgroup Logbook Solution satisfies the requirements of section 10A**

82. Both the Trip Report and the FBT Logbook Report generated by the Smartgroup Logbook Solution's web-based log book system are documents that satisfy the definitions of 'log book records' and 'odometer records' in subsection 136(1) for the purposes of paragraph (a) of section 10A.

83. It is accepted that, in the absence of any evidence to the contrary in a particular case, all remaining applicable requirements of section 10A will be met by employer clients who use the Trip Report and the FBT Logbook Report generated by the Smartgroup Logbook Solution.

84. In particular:

- an employer client, in a log book year of tax, who uses the Smartgroup Logbook Solution continuously:
  - for the duration of the 'applicable log book period' as that term is defined in subsection 162H(1), and
  - for the whole of the 'holding period' as that term is defined in section 162C
 meets the necessary requirements in section 10A and as such is entitled to claim a reduction of operating costs of a car on account of business journeys undertaken in the car during the holding period
- an employer client, in a log book year of tax, who:

- uses the Smartgroup Logbook Solution for the duration of the 'applicable log book period' as that term is defined in subsection 162H(1), but
- does not use the Smartgroup Logbook Solution continuously for the whole of the 'holding period' as that term is defined in section 162C

meets the necessary requirements in section 10A and will be entitled to claim a reduction of operating costs of a car on account of business journeys undertaken in the car during the holding period provided the employer client:

- separately records the odometer readings for the beginning and end of the period of the year for which the car was held
- separately estimates the number of business kilometres travelled by the car during the period of the year for which the car was held using all relevant matters including any other log book records and odometer records maintained by or on behalf of the user/driver, and any variations in the pattern of use of the car, and
- separately specifies the business use percentage for the period of the year for which the car was held using the estimated number of business kilometres and the odometer readings for the beginning and end of the holding period.

**Do the Trip Report and the FBT Logbook Report generated by Smartgroup's web-based log book system (the Smartgroup Logbook Solution) meet the relevant requirements of section 10B?**

85. Section 10B states:

**10B NO REDUCTION OF OPERATING COST IN A NON-LOG BOOK YEAR OF TAX UNLESS LOG BOOK RECORDS AND ODOMETER RECORDS ARE MAINTAINED IN LOG BOOK YEAR OF TAX**

Where one or more car fringe benefits in relation to an employer in relation to a year of tax relate to a car while it was held by a particular person (in this section called the '**provider**') during a particular period (in this section called the '**holding period**') in a year of tax that is not a log book year of tax of the employer in relation to the car, the employer is entitled to a reduction in the operating cost of the car on account of business journeys undertaken during the holding period in the car if, and only if:

- (a) odometer records are maintained by or on behalf of the provider in relation to the car for the holding period and, if the provider is not the employer, are given to the employer before the declaration date; and

- (b) the employer specifies the employer's estimate of the number of business kilometres travelled by the car in the holding period; and
- (c) the employer specifies the business use percentage applicable to the car in relation to the provider for the holding period.

86. Where the Smartgroup Logbook Solution is used continuously for the whole of the holding period, both the Trip Report and the FBT Logbook Report will meet all the necessary requirements of section 10B in a non-log book year of tax as they:

- provide odometer records for the beginning and end of that holding period
- determine the number of kilometres travelled on the journeys classified as business journeys during the period for which the system is continuously used, and
- calculate the business use percentage for the selected period using the determined number of business kilometres travelled and the odometer readings for the beginning and end of the holding period.

87. An employer client in a non-log book year of tax who does not use the Smartgroup Logbook Solution in that year of tax, or does not use it for the whole of the period that the car is held but has used the system in one of the previous four FBT years continuously for an 'applicable log book period', will not by itself satisfy the requirements of section 10B. The employer client will also need to:

- separately maintain odometer readings for the beginning and end of the period of the year for which the car was held
- estimate the number of business kilometres travelled by the car during the period of the year for which the car was held using all relevant matters including the Smartgroup Logbook Solution and any other log book records and odometer records maintained by or on behalf of the user/driver, and any variations in the pattern of use of the car, and
- specify the business use percentage for the period of the year for which the car is held using the estimated number of business kilometres and the odometer readings for the beginning and end of the holding period.

## Appendix 2 – Detailed contents list

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

	<b>Paragraph</b>
<b>Summary – what this Ruling is about</b>	<b>1</b>
Relevant provision(s)	2
Class of entities	3
Qualifications	4
<b>Date of effect</b>	<b>7</b>
<b>Scheme</b>	<b>8</b>
Trip Report	19
FBT Logbook Report	25
<b>Ruling</b>	<b>27</b>
<b>Appendix 1 – Explanation</b>	<b>33</b>
What is the operating cost method under section 10?	33
Do the Trip Report and FBT Logbook Report generated by Smartgroup's web-based log book system (the Smartgroup Logbook Solution) meet the relevant requirements of section 10A?	36
Do the Trip Report and the FBT Logbook Report generated by Smartgroup's web-based log book system (the Smartgroup Logbook Solution) satisfy the requirements of the definition of 'log book records' under subsection 136(1)?	38
Are the log book records maintained for an 'applicable log book period'?	55
Do the Trip Report and the FBT Logbook Report generated by Smartgroup's web-based log book system (the Smartgroup Logbook Solution) satisfy the requirements of the definition of 'odometer records' under subsection 136(1)?	59
Are the odometer records maintained 'for the holding period'?	66
Do the Trip Report and the FBT Logbook Report generated by the Smartgroup Logbook Solution enable the employer to estimate the number of business kilometres travelled during the holding period in a log book year of tax?	72
Do the Trip Report and the FBT Logbook Report generated by the Smartgroup Logbook Solution enable employer clients to specify the business use percentage for the holding period in a log book year of tax?	77
Conclusion on whether the Trip Report and FBT Logbook report generated by the Smartgroup Logbook Solution satisfies the requirements of section 10A	82

Do the Trip Report and the FBT Logbook Report generated by Smartgroup's web-based log book system (the Smartgroup Logbook Solution) meet the relevant requirements of section 10B?

85

**Appendix 2 – Detailed contents list**

**88**

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Not previously issued as a draft.

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