

CR 2019/65 - Fleetcare Pty Ltd telematics product - use for FBT car logbook and odometer records

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Class Ruling

Fleetcare Pty Ltd telematics product – use for FBT car logbook and odometer records

📌 Relying on this Ruling

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

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

Further, if we think that this Ruling disadvantages you, we may apply the law in a way that is more favourable to you.

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What this Ruling is about

1. This Ruling sets out when Fleetcare Pty Ltd's vehicle telematics product (Fleetcare telematics product) can be utilised to reduce the operating costs in both a logbook and non-logbook year of tax for the purposes of calculating the fringe benefits tax (FBT) taxable value of a car fringe benefit using the cost basis method.
2. Broadly, sections 10A and 10B of the *Fringe Benefits Tax Assessment Act 1986*¹ allow an employer to reduce the operating cost of a car for business journeys that are undertaken in the car during the period in which the car was held (either by the employer or another person). Such a reduction can only occur where certain conditions are met.
3. Full details of the Fleetcare telematics product are set out in paragraphs 20 to 30 of this Ruling.

Note: By issuing this Ruling, the ATO is not endorsing this product. Potential purchasers or users must form their own view about the product.

Who this Ruling applies to

4. This Ruling applies to you if you are an employer who uses the Fleetcare telematics product, including the electronic FBT logbook, to keep logbook and odometer

¹ All legislative references in this Ruling are to the *Fringe Benefits Tax Assessment Act 1986*.

records for the purposes of calculating the taxable value of a car fringe benefit using the cost basis method.

When this Ruling applies

5. This Ruling applies from 1 April 2019 to 31 March 2024.

Ruling

Background to legislative requirements

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

7. Where the election is made, the taxable value of the car fringe benefit using the operating cost method is calculated according to the formula in subsection 10(2). In accordance with this formula, 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 in subsection 136(1))) or section 10B (if the year is not a 'log book year of tax'), as applicable.

8. Section 10A requires that in a logbook year:

- logbook records are maintained for an applicable logbook period
- odometer records are maintained for an applicable logbook 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, and
- the employer specifies the business use percentage for the holding period.

9. Section 10B requires that in a non-logbook year:

- 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, and
- the employer specifies the business use percentage for the holding period.

Logbook year of tax

10. A year in which the Fleetcare telematics product is used will be a 'logbook year of tax' if:

- a) this is the first year that you use the Fleetcare telematics product for the purposes of keeping logbook and odometer records, and a logbook has not been kept for the particular car in the previous four years², or

² Refer to paragraph 162G(1)(a).

b) you make an election to treat the year as a logbook year of tax.³

11. The subsequent four years will be a 'non-logbook year of tax' if either of the points in paragraph 10 of this Ruling apply to the first year.

12. The Fleetcare telematics product's electronic FBT logbook must be retained for at least five years.⁴

Logbook records

13. The Fleetcare telematics product's electronic FBT logbook is a document which satisfies the requirements of the definition of 'log book records' in subsection 136(1), as over the time the electronic FBT logbook is being kept:⁵

- the Fleetcare telematics product collects the location, date, purpose and distance travelled for each journey
- the odometer readings generated by the Fleetcare telematics product are considered to be of sufficient integrity to be 'odometer readings of the car'. The vehicle's travel details will be accurately tracked using data drawn directly from the vehicle odometer. Several fallback methods are also available including calculations based on engine revolutions per minute and speed the vehicle is travelling, and GPS tracking
- the purpose of each journey (business or private) will be input by each driver at the end of each journey. All drivers will receive a daily summary via email. If a trip is assigned as 'business' the driver will be prompted to input a valid business purpose description for the trip, and
- all records and details contained in the electronic FBT logbook are in English and all entries are made at or as soon as reasonably practicable after the end of the journey. Any trips undertaken but not actioned within a 90-day period will automatically be deemed to constitute personal usage.

Odometer records

14. The Fleetcare telematics product's electronic FBT logbook is a document which satisfies the requirements of the definition of 'odometer records'⁶ as it provides details of the odometer reading for the car at the start of the journey and also the odometer reading for the car at the end of the journey that was undertaken during each reporting period.

³ Refer to paragraph 162G(1)(b).

⁴ Refer to the definition of 'retention period' in subsection 136(1). Under subsection 123(2) if you fail to retain the documents for the retention period, the logbook records or odometer records are deemed never to have been maintained.

⁵ Refer to the definition of 'log book records' in subsection 136(1).

⁶ Refer to the definition of 'odometer records' in subsection 136(1).

Business kilometres and business use percentage

15. The Fleetcare telematics product's calculation of the number of business kilometres and the total number of kilometres travelled by a car satisfies the requirements necessary for you to:

- estimate the number of business kilometres travelled⁷, and
- determine the 'business use percentage'.⁸

Satisfaction of the requirements in section 10A in a logbook year of tax

16. You satisfy the requirements in section 10A and are entitled to claim a reduction of operating costs in a logbook year of tax on account of business journeys made in the car during the period you own or lease the car if you use the Fleetcare telematics product continuously:

- for the duration of the 'applicable log book period'⁹ being a continuous period of not less than 12 weeks that begins and ends during the period that you own or lease the car
- for the whole period in the FBT year that you own or lease the car¹⁰
- to determine the number of kilometres travelled on the journeys classified as business journeys, and
- to calculate the business use percentage for the selected period.

17. If you, in a logbook year of tax, use the Fleetcare telematics product continuously for:

- the duration of the 'applicable log book period'¹¹ being a continuous period of not less than 12 weeks that begins and ends during the period you own or lease the car, and
- do not use the Fleetcare telematics product continuously for the whole period in the FBT year that you own or lease the car,

you satisfy the requirements in section 10A and are entitled to claim a reduction of operating costs on account of business journeys made in the car during the period you own or lease the car provided you:

- separately record the odometer readings for the beginning and end of the period of the year for which the car was owned or leased by you
- estimate the number of business kilometres travelled by the car during the period of the year for which the car was owned or leased by you using all relevant matters including the Fleetcare telematics product's electronic FBT logbook, odometer records and any variations in the pattern of use of the car, and

⁷ In accordance with section 162F.

⁸ As defined in subsection 136(1).

⁹ As that term is defined in subsection 162H(1). The applicable logbook period will be less if the car is owned or leased by the employer for a period of less than 12 weeks.

¹⁰ This is the period the car was held by you, known as the 'holding period'. Section 162 outlines when a car is held by a person.

¹¹ As that term is defined in subsection 162H(1). The applicable logbook period will be less if the car is owned or leased by the employer for a period of less than 12 weeks.

- specify the business use percentage for the period of the year for which the car was owned or leased by you using the estimated number of business kilometres and the odometer readings for the beginning and end of the period that you own or lease the car.

Satisfaction of the requirements in section 10B in a non-logbook year of tax

18. If you use Fleetcare telematics product continuously for the whole period in the FBT year that you own or lease the car, you will meet all the necessary requirements of section 10B in a non-logbook year of tax and are entitled to claim a reduction of operating costs on account of business journeys made in the car during the period you own or lease the car as the Fleetcare telematics product:

- provides odometer records for the beginning and end of the period you own or lease the car
- determines the number of kilometres travelled on the journeys classified as business journeys during the period for which the system is continuously used, and
- calculates 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 period the car was owned or leased by you.

19. If you, in a non-logbook year of tax, use the Fleetcare telematics product continuously for an 'applicable logbook period' but:

- do not use the system in that year of tax, or
- do not use it for the whole period in the FBT year that you own or lease the car,

you satisfy the requirements in section 10B and will be entitled to claim a reduction of operating costs of the car on account of business journeys made in the car during the period you own or lease the car provided you:

- separately record odometer readings for the beginning and end of the period of the year for which the car was owned or leased by you
- estimate the number of business kilometres travelled by the car during the period of the year for which the car was owned or leased by you using all relevant matters including the Fleetcare telematics product's electronic FBT logbook, odometer records 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 was owned or leased by you using the estimated number of business kilometres and the odometer readings for the beginning and end of the period that the you own or lease the car.

Scheme

20. The following description of the Scheme is based on information provided by the applicant. If the Scheme is not carried out as described, this Ruling cannot be relied upon.

21. Fleetcare Pty Ltd (Fleetcare) provides employers with a GPS tracking telematics product consisting of a device that is located in each car. The Fleetcare telematics product operates as follows:

- a) The vehicle's travel details will be accurately tracked and recorded using GPS location data. The location data is initially recorded in the device itself before being fed back to the Fleetmanager database, Fleetcare's online portal. Data will be transmitted back to the Fleetmanager database on a regular basis. For each journey completed, the Fleetcare telematics product records:
 - driver details
 - date of the journey
 - start and finish times of the journey
 - start and finish addresses
 - GPS coordinates of where the journey started and finished
 - number of kilometres travelled, and
 - purpose of the journey.
- b) The Fleetcare telematics product will accurately track the vehicle location via the GPS satellite network combined with data drawn from the vehicle's on-board computer, including vehicle odometer. This data is then presented to each driver for final validation. The Fleetcare telematics product is designed to draw data directly from the vehicle engine control unit, including the ignition status, and where possible, the vehicle's odometer at all times. In approximately 80% of cases, the vehicle odometer can be accessed electronically.
- c) In the event the Fleetcare telematics product is unable to draw odometer details from the vehicle directly, the Fleetcare telematics product will then fall back to a 'virtual' odometer, calculated by mathematical calculations of the engine RPM (revolutions per minute) and speed the vehicle is travelling. In the event that the Fleetcare telematics product falls back to derived odometer readings, it is a requirement that the user applies the initial starting odometer reading to the vehicle, to ensure odometers are accurately recorded.
- d) As a final fallback, if it is not possible to derive an odometer via the on-board computer, the Fleetcare telematics product will calculate an odometer based on the GPS latitude/longitude and distance travelled over time. In this event, it is also a requirement to collect a starting odometer reading from the user.

22. An employee enters their details and the purpose of the trip at the end of each trip via in-car input or by the employee notifying their employer who will enter the information directly into the Fleetmanager database.

23. Once the location data has been transferred into the Fleetmanager database, it is merged with the travel information provided by the employee and can then be used by the employer to generate logbook and odometer records.

24. All drivers of an FBT logbook service vehicle will receive a daily summary logbook sent via email. This summary will contain a detailed overview of the vehicle journeys performed by the driver and allow the driver to make changes to the vehicle usage. Should the driver choose to assign a trip to 'business' usage, they will also be prompted to input a valid business purpose description for the trip.

25. Employers will have the ability to audit driver activity, and confirm drivers are actioning the logbooks as expected. Any trips undertaken but not actioned within a 90-day period will automatically be deemed to constitute personal usage.

26. The Fleetcare telematics product logbook solution is designed to remain installed in the vehicle for the entire FBT reporting period, and as such, the FBT logbook report contains vehicle logbook data for the entire FBT period, and not only for the minimum 12-week reporting window.

27. Upon completion of the FBT year, employers can then generate, in English, an electronic FBT logbook report for any selected period for each car that has the Fleetcare telematics product fitted and/or employee who uses the car that has the system fitted.

28. The Fleetcare telematics product's electronic FBT logbook provides the following information for each journey undertaken in the selected period:

- date and time the trip began
- date and time the trip ended
- odometer start reading (in kilometres)
- odometer end reading (in kilometres)
- location from which the journey commenced (hidden if the trip is private)
- location from which the journey was completed (hidden if the trip is private)
- total distance travelled (in kilometres)
- trip purpose (private or business)
- trip reason (hidden if the trip purpose is private)
- driver's name
- vehicle display name
- vehicle registration number
- vehicle model
- selected period 'from' and 'to' dates
- calculated private use percentage for the selected period
- calculated business use percentage for the selected period
- total count of trips that were unclassified (and have been defaulted to 'private')
- total private distance (in kilometres) travelled during the selected period
- total business distance (in kilometres) travelled during the selected period
- total distance travelled during the selected period, and
- start and end dates of the log book period.

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29. All employers using the Fleetcare telematics product will make an election under paragraph 162G(1)(b) to treat a relevant current year of tax as a 'log book year of tax'.

30. The logbook records and odometer records of the Fleetcare telematics product will be maintained by, or on behalf of, the provider (as defined for the purposes of sections 10A and 10B) for the logbook period and the holding period. If the provider is not the employer, the employer will hold the logbook records and odometer records prior to the declaration date.

Commissioner of Taxation

9 October 2019

References*Previous draft:*

Not previously issued as a draft.

- FBTA 1986 123(2)

- FBTA 1986 136(1)

- FBTA 1986 162

- FBTA 1986 162F

- FBTA 1986 162G(1)(a)

- FBTA 1986 162G(1)(b)

- FBTA 1986 162H(1)

- TAA 1953

Legislative references:

- FBTA 1986

- FBTA 1986 10

- FBTA 1986 10A

- FBTA 1986 10B

- FBTA 1986 10(2)

ATO references

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