

CR 2019/66 - Entwined Signage Pty Ltd in-Vehicle Monitoring System - use for car logbook and odometer records



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Class Ruling

Entwined Signage Pty Ltd in-Vehicle Monitoring System – use for car logbook and odometer records

❶ 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 the Entwined Signage Pty Ltd in-Vehicle Monitoring System (Entwined Signage IVMS) 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 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 Entwined Signage IVMS are set out in paragraphs 20 to 32 of this Ruling.

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

Who this Ruling applies to

4. This Ruling applies to you if you are an employer who uses the Entwined Signage IVMS to keep car logbook and odometer records for the purposes of calculating the taxable value of a car fringe benefit using the cost basis method.

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

When this Ruling applies

5. This Ruling applies from 1 April 2019 to 31 March 2023.

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 'logbook year of tax' (as defined in subsection 136(1)) or section 10B (if the year is not a 'logbook 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 (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 (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 Entwined Signage IVMS is used will be a 'logbook year of tax' if:

- this is the first year that you use the Entwined Signage IVMS 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
- you make an election to treat the year as a logbook year of tax.³

² Refer to paragraph 162G(1)(a).

³ Refer to paragraph 162G(1)(b).

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

12. The Entwined Signage IVMS FBT logbook report must be retained for at least five years.⁴

Logbook records

13. The Entwined Signage IVMS FBT logbook report is a document which satisfies the requirements of the definition of 'logbook records' in subsection 136(1), as over the time the FBT logbook reports are being kept⁵:

- the Entwined Signage IVMS collects the location, date, purpose and distance travelled for each journey
- the odometer readings generated by the Entwined Signage IVMS are considered to be of sufficient integrity to be 'odometer readings of the car.' The IVMS is connected to the vehicle's on-board diagnostics (OBD) port, allowing the vehicle's odometer to be read. Should this fail, the IVMS also contains a GPS tracking device that is installed in the vehicle to capture journey information
- the purpose of each journey (business or private) is input by each driver at the end of each journey, with escalation points in the process to ensure the data is obtained, and
- all records and details contained in the FBT logbook reports are in English and all entries are made at or as soon as reasonably practicable after the end of the journey.

Odometer records

14. The Entwined Signage IVMS FBT logbook report 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.

Business kilometres and business use percentage

15. The Entwined Signage IVMS 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

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 log book 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).

⁷ In accordance with section 162F.

⁸ As defined in subsection 136(1).

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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 Entwined Signage IVMS continuously:

- for the duration of the ‘applicable logbook 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 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 Entwined Signage IVMS continuously for:

- the duration of the ‘applicable logbook 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 Entwined Signage IVMS continuously for the period 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 Entwined Signage IVMS FBT logbook report, 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 you own or lease the car.

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

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

18. If you use the Entwined Signage IVMS continuously for the whole period 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 FBT logbook report and or Entwined Signage IVMS:

- 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 Entwined Signage IVMS 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 of the period that the car was owned or leased by you,

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 Entwined Signage IVMS 'FBT logbook report', 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 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.

Entwined Signage IVMS

21. The Entwined Signage IVMS is a cloud-based logbook system which can be used to log the journeys of a vehicle during a pre-determined period. The Entwined Signage logbook solution is designed to remain implemented in the vehicle for either of two periods – a 12-week period and a 52-week period.

22. The Entwined Signage IVMS consists of:

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- a unique employee radio-frequency identification card that identifies the driver of the vehicle
- an in Vehicle Monitoring System (IVMS) containing a GPS tracking device, that is installed in the vehicle to capture journey information
- a cloud-based platform (QBIT) that securely receives, processes and reports and stores the journey information
- a smart phone based mobile application that allows the driver to view journey information and classify the purpose of each journey, and
- FBT reports generated by the software.

In-car device

23. The Entwined Signage IVMS is connected to the vehicle's OBD port, allowing the vehicle's odometer to be read. The IVMS is directly connected to the odometer and provides a one-to-one reading of the odometer.

24. In the event that the vehicle odometer is unable to be read (for example, an incompatible vehicle), or the IVMS is not connected to the OBD port, as a fall back method, the GPS odometer method as described in paragraph 27 of this ruling will be used.

25. The IVMS is powered by the vehicle and records the following information for each journey:

- time and date at the start of the journey
- time and date at the end of the journey
- location of journey origin and destination
- vehicle odometer reading at the start and end of the journey (via the vehicle's OBD port), or if using the GPS fall back method, the GPS odometer reading at the start and end of the journey
- distance and time travelled, and
- vehicle and driver identification.

Process

26. The IVMS assigns each journey to a driver. At the completion of the journey, the driver is prompted by the software, to classify the purpose of the journey as either business or personal. If prompts are not actioned, the driver's manager will be notified via email or SMS for follow-up.

27. If the vehicle odometer is unable to be read (for example, an incompatible vehicle, or the IVMS is not connected to the vehicle OBD port), then as a fall back the GPS odometer method will be used. After an initial odometer reading is entered, the GPS odometer is used to measure the distance travelled for each journey based upon GPS readings.

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Reporting

28. From the journey data collected, the Entwined Signage IVMS produces two reports. The FBT logbook report which provides the following details:

- name of driver
- vehicle ID (typically consisting of registration and or vehicle asset number)
- start date and time of each journey
- the start and end odometer readings for each journey (either the vehicle odometer or the GPS odometer as a fall back)
- distance travelled in kilometres for each journey
- duration of each journey
- start and end locations of each journey; and
- purpose of journey.

29. The 'FBT summary report' which provides the following details:

- driver name
- vehicle ID (typically consisting of registration and or vehicle asset number)
- the start and end odometer readings for each journey (either the vehicle odometer or the GPS odometer as a fall back)
- business usage percentage (the percentage of the number of business kilometres travelled to the total number of kilometres travelled)
- number of unclassified trips
- start date of logbook
- end date of logbook
- days remaining in the logbook period.

30. In cases where the selected period is not 52 weeks, the Entwined Signage IVMS FBT logbook report will also provide the odometer reading at the start and end of the holding period (for example 1 April and 31 March for a non-logbook year).

31. The Entwined Signage IVMS reports are in English.

32. All employers using the Entwined Signage IVMS will make an election under paragraph 162G(1)(b) to treat a relevant current year of tax as a 'logbook year of tax'.

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References

Previous draft:

Not previously issued as a draft

- FBTAA 1986 136(1)

FBTAA 1986 162F

- FBTAA 1986 162

- FBTAA 1986 162G

- FBTAA 1986 162G(1)(a)

- FBTAA 1986 162G(1)(b)

- FBTAA 1986 162H(1)

- TAA 1953

Legislative references:

- FBTAA 1986 10

- FBTAA 1986 10(2)

- FBTAA 1986 10A

- FBTAA 1986 10B

- FBTAA 1986 123(2)

ATO references

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