

CR 2021/3 - Intelematics Australia Pty Limited CONNECT tracking and fleet management solution - use for FBT car logbook and odometer records



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This document has changed over time. This is a consolidated version of the ruling which was published on *20 January 2021*



Class Ruling

Intelematics Australia Pty Limited CONNECT tracking and fleet management solution – use for FBT 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.

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What this Ruling is about

1. This Ruling sets out when Intelematics Australia Pty Limited's CONNECT tracking and fleet management solution (CONNECT TFMS) 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 CONNECT TFMS are set out in paragraphs 20 to 38 of this Ruling.

Note: By issuing this Ruling, the ATO is not endorsing this product. Potential purchasers 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 CONNECT TFMS to keep logbook and odometer records for the purpose of calculating the taxable value of a fringe benefit using the cost basis method.

¹ All legislative 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 November 2020 to 31 March 2025.

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) of the FBTAA) or section 10B (if the year is not a logbook year of tax), as applicable.

8. Section 10A requires that in a logbook year of tax:
- 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 of tax:
- 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 CONNECT TFMS is used will be a logbook year of tax if:
- this is the first year that you use the CONNECT TFMS 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
11. The subsequent four years will be a non-logbook year of tax if either of the dot points in paragraph 10 of this Ruling applies to the first year.

² Refer to paragraph 162G(1)(a).

³ Refer to paragraph 162G(1)(b).

12. The CONNECT TFMS report must be retained for at least five years.⁴

Logbook records

13. The CONNECT TFMS logbook report is a document which satisfies the requirements of the definition of 'log book records'⁵ as, over the time the FBT logbook reports are being kept:

- the Connect solutions cloud-based fleet management system collects the location, date, purpose and distance travelled for each journey
- the odometer readings generated by the CONNECT TFMS is considered to be of sufficient integrity to be odometer readings of the car. The system is connected to the vehicles on-board diagnostics port, allowing the vehicle's odometer to be read. Should this fail, the system also contains a GPS tracking device that is installed in the vehicle to capture journey information
- the purpose of each journey (with enough descriptive detail to classify the journey as business or private) is input by each driver at the end of each journey, and
- all records and details contained in the FBT logbook reports are in English and all entries are made at the end of the journey or as soon as reasonably practicable after the end of the journey. All reports can be exported in common formats including MS Excel, CVS and PDF.

Odometer records

14. The CONNECT TFMS 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 CONNECT TFMS 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 logbook records or odometer records are deemed never to have been maintained.

⁵ As defined in subsection 136(1).

⁶ As defined in subsection 136(1).

⁷ In accordance with section 162F.

⁸ As defined in subsection 136(1).

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

16. You, the employer, 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 CONNECT TFMS continuously:

- for the duration of the applicable logbook period⁹, 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, the employer, in a logbook year of tax, use the CONNECT TFMS continuously for:

- the duration of the applicable logbook period¹¹ 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 CONNECT TFMS 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 CONNECT TFMS 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.

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

18. If you, the employer, use the CONNECT TFMS 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

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.

account of business journeys made in the car during the period you own or lease the car as the FBT logbook report and/or the CONNECT TFMS:

- 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, the employer, in a non-logbook year of tax use the CONNECT TFMS 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 to 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 CONNECT TFMS 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.

Connect logbook solution

21. CONNECT TFMS is a cloud-based logbook system which can be used to log the journey of a vehicle during a pre-determined period. The Connect 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. CONNECT TFMS consists of:

- Connect portal – an online portal for the employers to track vehicle, monitor vehicle health and generate reports such as FBT summary, Logbook and vehicle maintenance reports

- Connect app – native iOS/Android apps for employees/drivers to track their journeys/trips, classify trips as business or personal, and get notified of any vehicle faults
- In-vehicle (OBD2) telematics device – on-board diagnostics device plugged in the vehicle to capture journey with details (for example, odometer, distance and vehicle faults).

In-vehicle telematics device

23. The CONNECT TFMS is plugged into a vehicle's OBD2 port, allowing the vehicle's odometer to be read. It is also capable of providing the following data:

- car ignition on and off status and on-board diagnostic data such as vehicle faults and components state of health
- journey undertaken with details including time, location using GPS (typically sent every five seconds), distance travelled, time duration and odometer reading taken at the start and end of a journey from the vehicle OBD2 port/CAN Bus (Controller Area Network)
- in the event that the vehicle odometer is unable to be read (for example, if the specific make and model is CAN incompatible) as a fall-back method, the odometer values are sent based on the GPS location data, and
- the device communicates with the CONNECT TFMS platform using a mobile data (4G/CATM1) network. In the event of no network coverage, the information is stored on the device and uploaded once network connectivity is re-established.

CONNECT app

24. The CONNECT TFMS app is a mobile application that enables the employees/drivers to:

- register in the CONNECT TFMS platform to access the app using secured username and password
- view the journey undertaken with details such as journey start and end time, start and end location with address, trip route on the map, distance, duration and odometer value at the start and end of the journey
- classify/mark each journey undertaken as business or personal and the information is then uploaded to the CONNECT TFMS platform. A number of business trip purposes/reasons are available in the app and new purposes can be created by the drivers/employers if required, and
- get notified about vehicle faults, vehicle current location and statistics (for example, distance travelled, fuel consumption and time driven over a period of time).

CONNECT portal

25. The CONNECT TFMS portal is a web application that enables the employers/managers to:

- track all vehicles in use by an employee or drivers
- view journeys undertaken by the employee vehicles and their purpose entered by the drivers
- set the initial odometer of vehicles based on the actual reading from the vehicle's dashboard. This helps in recording of subsequent odometer readings for each journey, in case the in-vehicle device is unable to receive data from the vehicle. However, for the majority of vehicles, the odometer reading is populated based on the value received from the vehicle, via the in-vehicle telematics device, and
- monitor vehicle health, battery and fuel levels.

Process

26. At the beginning of the holding period, the employers/managers will check if all vehicle's current odometer values are available and are correctly reported in the CONNECT TFMS portal. For the majority of vehicle manufacturers and their models, the current odometer will automatically populate upon plugging the telematics device in. In case the device is unable to get the odometer values, the vehicles current odometer reading can be added or updated in the CONNECT TFMS portal.

27. Drivers/employees will log in to the CONNECT TFMS mobile app, to track the trips undertaken and provide the trip's purpose that includes business purposes, such as client visit, meeting or personal at the end of the trip. The most recent trip without any purpose is available on driver's dashboard and can be classified/marked easily.

28. With every trip recorded by the telematics device, it also records the odometer reading at the start and end of the trip with the distance covered. In case of incompatible vehicles (that is, unable to read odometer from the vehicle), it will fall back on the odometer calculated based on the GPS distance covered in each trip.

29. To ensure that the journeys/trips are classified with a purpose in a timely manner, employers/managers will receive a daily or weekly (depending on the user preference) scheduled unclassified trips report snapshot in an email, enabling them to keep track of trips classifications for each driver and can follow-up with their drivers on the trips that remain unclassified.

30. In case there is a variance between the latest/end odometer based on the report, and the vehicle's actual odometer reading and the variance is deemed not acceptable, there is an option to continue the logbook period or alternatively restart the logbook.

Reporting

31. From the journey data collected, the CONNECT TFMS portal produces four reports. The FBT logbook report provides the following details:

- selected timeframe, that is, to and from date and time
- employee/driver name

- vehicle details (registration number, manufacturer/make, vehicle model and year)
 - journey/trip start and end date and time
 - distance in kilometres (km)
 - duration (in hh:mm:ss)
 - start and end odometer reading
 - journey classification/purpose.
32. The FBT summary and odometer report which provides the following details:
- selected time period, that is, to and from date
 - employee/driver name
 - vehicle details (registration number, manufacturer/make, vehicle model and year)
 - start date – date and time of the initial odometer reading
 - initial odometer – vehicle odometer recorded at the start of the selected period, that is, first recorded journey
 - end date – date and time when the vehicle is being driven at the start of the selected period
 - latest odometer – vehicle odometer recorded at the end of the selected period, that is, last recorded journey
 - business km – total distance in km travelled for business purposes, such as site visits, client meetings
 - personal km – (number of personal km travelled by the car during the holding period ÷ total number of km travelled by the car during the holding period) × 100
 - total number of trips that are unclassified or haven't been updated with a purpose
 - total number of trips classified as business
 - total number of km classified as personal.
33. The trip classifications report which provides the following details:
- employee/driver name
 - trip classification/purpose
 - number of trips with various purposes, including personal and with no purpose (unclassified trips).
34. The odometer exceptions report which provides the following details:
- selected time period, that is, to and from date
 - employee/driver name
 - vehicle details (registration number, manufacturer/make, vehicle model and year)
 - start date – date and time of the initial odometer reading

- initial odometer – vehicle odometer recorded at the start of the selected period
- end date – date time when the vehicle is being driven at the start of the selected period
- latest odometer – vehicle odometer recorded at the end of the selected period
- trips with invalid ODO – number of trips with invalid odometer reported or calculated in the trip.

Record retention

35. The journey records with all details are retained in the CONNECT TFMS platform and are available at any time while the product is in use by the customers.

Data security and integrity

36. The journey/trip data recorded by the CONNECT TFMS is sent via a cellular or satellite connection. The data is encrypted during transport, securing the privacy and integrity of the data.

37. Access to the CONNECT TFMS portal is secured via Okta authentication that supports multi-factor authentication and single sign-on (SSO).

38. Access to the CONNECT TFMS app is secured by unique username and password.

Commissioner of Taxation

20 January 2021

References*Previous draft:*

Not previously issued as a draft

- FBTA 1986 123(2)
- FBTA 1986 136(1)
- FBTA 1986 162F
- FBTA 1986 162G
- FBTA 1986 162G(1)(a)
- FBTA 1986 162G(1)(b)
- FBTA 1986 162H(1)
- TA 1953

Legislative references:

- FBTA 1986 10
- FBTA 1986 10(2)
- FBTA 1986 10A
- FBTA 1986 10B

ATO references

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