

# ***CR 2022/67 - Toyota Halo system - use for fringe benefits tax car logbook and odometer records***



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## Class Ruling

# Toyota Halo system – use for fringe benefits tax 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 the Toyota Halo system that is offered by Toyota Motor Corporation Australia Limited (Toyota Australia) can be utilised to reduce the operating costs in both a logbook and non-logbook year for the purpose of calculating the 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* (FBTAA) 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. All legislative references in this Ruling are to the FBTAA.
4. Full details of the Toyota Halo system are set out in paragraphs 21 to 33 of this Ruling.

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

### **Who this Ruling applies to**

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

### **When this Ruling applies**

6. This Ruling applies from 1 April 2022 to 31 March 2026.

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## **Ruling**

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### **Background**

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

8. 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).

9. 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 162G(1)) or section 10B (if the year is not a 'log book year of tax'), as applicable.

10. 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 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.

11. 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.

12. A year in which the Toyota Halo system is used will be a logbook year of tax if:

- this is the first year that you use the Toyota Halo system for the purposes of keeping logbook and odometer records, and a logbook has not been kept for the particular car in the previous four years<sup>1</sup>, or
- you make an election to treat the year as a logbook year of tax<sup>2</sup>

13. The subsequent 4 years will be a non-logbook of tax if either point in paragraph 12 of this Ruling applies to the first year.

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<sup>1</sup> Refer to paragraph 162G(1)(a).

<sup>2</sup> Refer to paragraph 162G(1)(b).

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### **Logbook records**

14. The Toyota Halo system 'Logbook report' is a document which satisfies the definition of 'log book records' in subsection 136(1), as over the time the fringe benefits tax (FBT) logbook records are being kept<sup>3</sup>:

- the Toyota Halo system collects all applicable information for each journey undertaken by a car (that is, the location of the start and end of a journey, date and time of the start and end of a journey, user attributes, purpose of each journey, total distance travelled) and automatically sends it to the platform
- the classification of the journey as being for business use or private use is input by the driver using an application of the Toyota Halo system via their mobile device at the end of each car journey; for a business journey, the driver must also enter the purpose of the trip
- each time the car is driven, the start and end odometer readings for the journey are automatically calculated by the Toyota Halo system from the Global Positioning System (GPS) and other telemetry data recorded, while the Journey reports provide the opening and closing odometer readings for the period during which a car is registered in the Toyota Halo system
- all records and details contained in the Logbook reports are in English and all entries are made at or as soon as reasonably practicable after the end of the journey.

15. However, the Toyota Halo system Logbook report is not a document which satisfies the definition of 'log book records' in subsection 136(1) if:

- the report is not for an applicable logbook period
- the purpose of the journey is not sufficiently descriptive to enable the journey to be classified as a business journey, and
- the purpose of a journey classified as being a business journey is not entered within a week of the journey occurring.

### **Odometer records**

16. The Toyota Halo Journey report satisfies the definition of 'odometer records' in subsection 136(1)<sup>4</sup> as it provides 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 report period.

### **Satisfying the requirements of section 10A in a logbook year of tax**

17. An employer satisfies the requirement in section 10A and is entitled to claim a reduction of operating costs in a logbook year of tax if the Toyota Halo system is used continuously for:

- the duration of the applicable logbook period<sup>5</sup>, which will be a continuous period of not less than 12 weeks that begins and ends during the period that

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<sup>3</sup> Refer to the definition of 'log book records' in subsection 136(1).

<sup>4</sup> Refer to the definition of 'odometer records' in subsection 136(1).

<sup>5</sup> As that term is defined in subsection 162H(1).

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the employer owns or leases the car, unless the car is held by the employer for less than 12 weeks, and

- the whole of the holding period<sup>6</sup>, which is generally the period the employer owns or leases the car during the FBT year.

18. If the Toyota Halo system:

- is used continuously for the duration of the applicable logbook period, which will be a continuous period of not less than 12 weeks that begins and ends during the period that the employer owns or leases the car, unless the car is held by the employer for less than 12 weeks, and
- is not used continuously for the whole of the holding period, which is generally the period the employer owns or leases the car during the FBT year,

then the employer satisfies the requirement in section 10A and is entitled to claim a reduction of operating costs in a logbook year of tax, 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 relevant matters including the Toyota Halo system reports, 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.

#### **Satisfying the requirements of section 10B in a non-logbook year of tax**

19. An employer satisfies the requirement in section 10B and is entitled to claim a reduction of operating costs in a non-logbook year of tax if the Toyota Halo system is used continuously for the whole of the holding period.

20. An employer in a non-logbook year of tax who has used the Toyota Halo system in one of the previous 4 FBT years continuously for an applicable logbook 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 Toyota Halo system reports, odometer records and any variations in the pattern of use of the car, and

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<sup>6</sup> As that term is defined in section 162C.

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- specifies 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.

## **Scheme**

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21. Toyota Australia offers its customers an option to purchase a vehicle logbook system in conjunction with a genuine Toyota accessory.

22. The vehicle logbook system was originally produced by another entity and was rebranded by Toyota Australia as 'Toyota Halo'. The purpose of Toyota Halo is to maintain records as required under the FBTAA.

23. The Toyota Halo system consists of:

- A GPS device and tracker installed in a car to capture journey information by monitoring the position of the car so as to determine the car's journeys. It also records the start and stop times of the journeys and calculates the distance travelled in each of the journeys. The device also allows the driver and administrators to classify and review all trips per activity types.
- An online platform that is used to monitor the car's movements and log its journeys constantly. It displays the data relating to a configurable period which may include a pre-defined logbook period for a minimum of 12 weeks. It also securely receives, processes, reports and stores the journeys' information for the duration of the user's contract period.
- Any mobile device that allows the driver at the conclusion of each car journey to record the type of journey. It also allows the driver to view and classify previous trips that have not been classified and to classify any unclassified trips as private.
- A web browser based secure interface that allows the user to access the platform.
- Reports that are maintained in the platform and generated by the administrator on-demand on a customisable beginning and end date with a minimum 12-week period. The logbook start and end date is displayed and printed on the finished logbook.

24. Employer cars are fitted with GPS devices that automatically and regularly report back to the platform via the third or fourth generation (3G/4G) Telstra mobile networks.

25. The GPS device is either hard wired to the car's battery or plugs in via the onboard diagnostics system 2 (OBD2) port.

26. The Toyota genuine GPS device (TL-OBD) reads the odometer reading straight from the Controller Area Network Bus. Actual odometer readings are automatically uploaded to the Toyota Halo system upon installation. Every trip is logged within the system, requiring drivers to classify every trip made as either 'personal' or 'business' with the relevant description. The driver can use a mobile device or a desktop or laptop computer to classify each journey.

27. For all classified business journeys, the driver must include the journey purpose. The system will not allow a trip to be classified as business without stating the purpose. This data can then be reviewed and audited by the system administrator.

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28. All information on any journey undertaken by a car will be sent via the mobile network to be stored on the platform. The device will buffer up to 50 megabytes for around 39 days of concurrent tracking if there is no mobile network to connect.

29. A client will be able to use the Toyota Halo system to produce (in English) an FBT vehicle logbook for any selected period for each car that has the system fitted.

30. The logbook administrator is capable of reviewing all trip information and is required to identify any errors or potentially misclassified trips prior to completing the logbook. The logbook can only be printed by a user with logbook administration rights and only once all trips in the logbook have been classified and the logbook completed by the driver.

31. Reports generated by the Toyota Halo system will provide the following information:

- start and end date of the logbook period
- journey type (private or business)
- status (purpose) of the journey
- user attributes (including name and car registration details)
- start time and date when each journey occurs
- location the journey commenced
- starting odometer reading
- end time and date when each journey was completed
- location the journey was completed
- ending odometer reading, and
- total distance travelled during the journey (in kilometres).

32. The Toyota Halo system report provides details of the calculated business use percentage for the selected period (percentage of number of business kilometres travelled to the total number of kilometres travelled).

33. The Toyota Halo system ensures delivery of each message to the platform. It also operates a fully fail-safe environment with the same copies of data stored in multiple secured locations including constant and live data backups. All critical components of the Toyota Halo system are monitored by automatic alerting systems.

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**Commissioner of Taxation**

27 July 2022

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## References

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*Legislative references:*

- |               |                    |
|---------------|--------------------|
| - FBTAA 10    | - FBTAA 136(1)     |
| - FBTAA 10(2) | - FBTAA 162C       |
| - FBTAA 10A   | - FBTAA 162G(1)    |
| - FBTAA 10B   | - FBTAA 162G(1)(a) |
|               | - FBTAA 162G(1)(b) |
|               | - FBTAA 162H(1)    |

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ATO references

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