

# ***CR 2023/11 - Logbook Me Pty Ltd - In-Car Logbook Solution for reporting of road tolls***



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## Class Ruling

# Logbook Me Pty Ltd – In-Car Logbook Solution for reporting of road tolls

### **① Relying on this Ruling**

This publication (excluding appendix) 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 the fringe benefits tax (FBT) consequences for employers who use the Toll Reporting Module within the Logbook Me Pty Ltd (LBM) logbook solution to report and reconcile toll expenses incurred by their employees.
2. Details of this scheme are set out in paragraphs 11 to 36 of this Ruling.
3. All legislative references in the Ruling are to the *Fringe Benefits Tax Assessment Act 1986*, unless otherwise indicated.

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

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

4. This Ruling applies to you if you are clients of LBM who use the Logbook Me In-Car Logbook Solution (Logbook Me Solution) to report road tolls.

### **When this Ruling applies**

5. This Ruling applies from 1 April 2022 to 31 March 2028.

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## **Ruling**

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6. The Logbook Me Solution contains functionality that enables recording, reconciliation and reporting of toll expenses incurred on a particular trip.
7. Where the e-toll tag is in the name of the employee, an expense payment benefit as defined in section 20 arises as a result of the vehicle incurring a road toll.
8. Where the e-toll tag is in the name of the employer, a residual benefit as defined in section 45 arises as a result of the vehicle incurring a road toll.
9. The expense payment benefit or residual benefit that arises from the employee's use of the e-toll tag may be reduced by the otherwise deductible rule under sections 24 or 52 where the toll expenses incurred are for business trips.
10. The expense payment benefit or residual benefit that arises from the employee's use of the e-toll tag may be exempt under the minor benefits exemption outlined in section 58P where the trips are for private purposes.

## **Scheme**

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11. 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.
12. LBM is part of the GDML Group. The GDML Group includes:
  - CarParking.info Pty. Ltd. which provides a car parking information site and App, and
  - FBTme Pty. Ltd. which provides a database of car parking rates.
13. The Logbook Me Solution can be used to log the journeys of a vehicle and the times the vehicle has been parked at a specified location.
14. The Logbook Me Solution consists of:
  - an In-Car Device that is installed in the vehicle to capture location information at specific times
  - a cloud-based remote data management platform (Platform) that securely receives, processes, reports and stores the location information, and
  - a web browser-based secure portal (Portal) that allows the employer to view events, change the default settings and generate a report.

### **In-car device**

15. The In-Car Device is a Global Positioning System (GPS) device that is able to monitor the position of the vehicle to determine the vehicle's journeys. It also records the start and stop times of the journeys and calculates the distance travelled in each of the journeys.
16. The In-Car Device contains a GPS module, movement sensors, solid state memory, mobile communication modules, sim card, battery and power socket. The In-Car Device is powered by a connection to the vehicle's 12-volt cigarette lighter attachment, in-built USB port or On-Board Diagnostics port.

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17. Upon receipt of the In-Car Device and it being placed in the relevant vehicle, the user will be prompted to enter the following information prior to commencing the first trip for which the In-Car Device is used:

- login and password details
- opening odometer reading from the vehicle's built-in odometer, and
- time zone.

18. The In-Car Device commences recording data when it senses movement or ignition in the vehicle. The recorded data is saved onto the device memory with identifiers including the time and date of each capture. The recorded data is then automatically sent using a wireless mobile connection to the Platform. Should coverage on the mobile network not be available, the In-Car Device will automatically store the recorded data and periodically resend until successful.

#### **Data management platform**

19. At the time the In-Car Device is ordered, the employer or user provides information that is used to set up the user account. This information includes the following:

- name of driver
- vehicle registration
- vehicle make and model
- engine size
- carrying capacity of the vehicle
- email address for user notifications and App configuration
- login and password details
- the name of the employer.

20. The digital LBM Platform receives all transmissions continuously when the In-Car Device is operating and verifies data integrity and receipt. The Platform processes the transmissions and generates a log for the specific device which represents the individual driver. Part of the processing includes collation of various transmissions to create individual trips (Trip Log).

#### **The secure portal**

21. The Trip Log appears in the App and Portal for the driver to classify each trip.

22. At the end of each trip, the driver will receive an in-device notification prompt to classify and record the purpose of the journey. Alternatively, the driver may use the Portal to classify and record the purpose of the journey.

23. The Portal allows the employer and user to view, review and report on all data. The Portal has a series of drop-down menus and text input boxes that allow user input.

24. Next to each Trip Log, the user classifies the trip as either business or private using the available drop-down menu. There is also a graphical display of the current business use percentage based on the Trip Logs that have already been classified.

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25. To assist the user to record the purpose of each journey, the App and Portal will automatically overlay the driver's calendar entries and auto-fill the field for recording the purpose of the journey. The driver is required to review and validate the auto-fill calendar information and may also make necessary edits. The purpose of the journey is not recorded until the user has validated and saved the record by pressing a button.

26. If the driver does not classify a trip within 48 hours (or an alternative timeframe agreed by the employer and the user), the user will receive an email notification requesting that they log into the App or Portal to classify the outstanding Trip Logs.

27. At any given time, the user will be able to view all unclassified trips on the App and Portal. The driver is then able to classify each trip individually and record the purpose of the journey.

### **Toll reporting**

28. The LBM contains functionality that enables reconciliation and reporting of toll expenses via a Toll Reporting Module.

29. The Toll Reporting Module cross-references a toll transaction incurred by the user following use of an Australian toll road, with a corresponding logbook entry.

30. Data from a corresponding toll account linked to a specific vehicle will allow the Toll Reporting Module to verify the expense.

31. Once the user has classified the travel in the App or Portal as business or private, the toll expense is then categorised as either business or private usage in the Toll Reporting Module.

32. The LBM Toll Module Report produces the following information:

- 'Toll Cost' which is the total costs of tolls incurred during the specified period
- 'Business Toll Cost' which is the total cost of tolls that correspond to trips classified as business via the App or Portal
- 'Personal Toll Cost' which is the total cost of tolls that correspond to trips classified as private via the App or Portal
- 'Unclassified Toll Cost' which is the total cost of tolls that correspond to trips that remain unclassified (that is, any outstanding Trip Logs)
- 'Toll Without Trip Cost' which is the total cost of any tolls incurred where there is no corresponding Trip Log (that is, the time that the toll expense was incurred at a particular location does not align with the vehicle's location per the Trip Log).

33. A toll transaction without a corresponding registered trip (business or private) will indicate that the e-toll tag has been removed from the registered vehicle or, alternatively, may be an error by the toll provider. These transactions will be reported as a 'Toll Without Trip Cost'.

34. Similarly, a toll transaction that has been incurred at a particular location that does not match the location of the vehicle per the Trip Log, will indicate that the e-toll tag has been removed from the registered vehicle. These transactions will also be reported as a 'Toll Without Trip Cost'.

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35. Toll transactions incurred in the same 'trip' will be categorised as one trip.
36. The reports are in English and can be exported in a variety of formats including .xls, .csv and .pdf.

#### **E-toll tag**

37. An e-toll tag may be registered to the employee or the employer.
38. Where the employee uses an e-toll tag registered to the employee, the employee will be reimbursed by the employer or the employer will pay the e-tag provider directly.
39. Where the employee uses an e-toll tag registered to the employer, the employer will pay the e-toll provider directly.

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**Commissioner of Taxation**

15 March 2023

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## Appendix – Explanation

**❶** *This Explanation 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.*

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### Has a benefit been provided?

40. A 'fringe benefit' is defined in subsection 136(1) as:
- ... in relation to an employee, in relation to the employer of the employee, in relation to a year of tax, means a benefit:
- (a) provided at any time during the year of tax; or
  - (b) provided in respect of the year of tax;
- being a benefit provided to the employee or to an associate of the employee by:
- (c) the employer; or
  - (d) an associate of the employer; or
  - (e) ...
- in respect of the employment of the employee, but does not include:
- (f) ...
  - (g) a benefit that is an exempt benefit in relation to the year of tax; ...
41. A 'benefit' is defined in subsection 136(1) as including:
- ... any right (including a right in relation to, and an interest in, real or personal property), privilege, service, or facility and, without limiting the generality of the foregoing, includes a right, benefit, privilege, service, or facility that is, or is to be, provided under:
- (a) an arrangement for or in relation to:
    - (i) the performance of work (including work of a professional nature), whether with or without the provision of property;
    - (ii) the provision of, or of the use of facilities for, entertainment, recreation, or instruction; or

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- (iii) the conferring of rights, benefits or privileges for which remuneration is payable in the form of a royalty, tribute, levy, or similar exaction; ...

42. For a fringe benefit to arise, a benefit must have been provided, and the provision of the benefit must have arisen in respect of employment of the employee.

43. The payment by the employer of toll fees, will give rise to a 'benefit' as defined in subsection 136(1).

#### **Will an expense payment benefit arise?**

44. An expense payment benefit is discussed in section 20:

Where a person (in this section referred to as the **provider**):

- (a) makes a payment in discharge, in whole or in part, of an obligation of another person (in this section referred to as the **recipient**) to pay an amount to a third person in respect of expenditure incurred by the recipient; or
- (b) reimburses another person (in this section also referred to as the **recipient**), in whole or in part, in respect of an amount of expenditure incurred by the recipient;

the making of the payment referred to in paragraph (a), or the reimbursement referred to in paragraph (b), shall be taken to constitute the provision of a benefit by the provider to the recipient.

45. Under the scheme, the payment of the tolls where the employee is using an e-toll tag device which is registered in the employee's name will be an expense payment benefit as the employer is either paying the tolls on behalf of the employee or reimbursing the employee for the expense incurred.

#### **Will a residual benefit arise?**

46. Section 45 provides that a benefit will be a residual benefit if the benefit is not a benefit by virtue of a provision of Subdivision A of Divisions 2 to 11 (inclusive).

47. The right to use an e-toll tag device which is registered under the employer's name comes within this definition. As it is not a benefit covered by a provision of Subdivision A of Divisions 2 to 11, it will be a residual benefit.

#### **Will a reduction in the taxable value of the benefit be applicable using the otherwise deductible rule for both the expense payment benefit and the residual benefit?**

48. Section 24 (for expense payment benefits) and section 52 (for residual benefits) provides for a reduction in taxable value in cases where an employee recipient of an expense payment benefit or a residual benefit would have been entitled to an income tax deduction for all or part of the expenditure had it not been paid or reimbursed by the provider.

49. The taxable value of an expense payment benefit may be reduced in accordance with the 'otherwise deductible' rule, but only if the recipient of the benefit is the employee. Broadly, this means that the taxable value may be reduced by the amount the employee would have been entitled to claim as an income tax deduction if the employer had not reimbursed them.



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50. Section 8-1 of the *Income Tax Assessment Act 1997* (ITAA 1997) allows a deduction for all losses or outgoings to the extent to which they are incurred in gaining or producing assessable income except where the losses or outgoings are of a capital, private or domestic nature, or relate to the earning of exempt income.

51. For an expense to be incurred in the course of producing assessable income, the expenditure must have a sufficiently close connection to performance of the employment duties and activities through which the employee earns income.

52. Road tolls incurred solely for business purposes are an allowable deduction to employees under section 8-1 of the ITAA 1997, therefore the otherwise deductible rule is applicable and will reduce the taxable value of the fringe benefit that has occurred. It does not matter if it is an expense payment benefit or a residual benefit.

**Can the Logbook Me Toll Reporting Module be used to determine if the taxable value of the benefit can be reduced by the otherwise deductible rule?**

53. The LBM Toll Reporting Module allows employers to track road toll expenses incurred by their employees, where the In-Car Device is installed in their vehicle.

54. The Toll Reporting Module cross-references toll expenses incurred by the employee with a corresponding logbook entry. The toll expense is then categorised as business or private.

55. Using the report generated and the corresponding classification of toll expenses incurred by an employee, an employer can clearly distinguish between toll expenses:

- incurred during a business trip
- that relate to private travel
- where the corresponding trip has not been classified by an employee (Unclassified Toll Cost) – in which case an employer can prompt the employee to classify these trips so that the business or private nature of the toll expense can be determined, and
- without a corresponding registered trip (Toll Without Trip Cost).

56. For transactions that have been recorded as 'Toll Without Trip Cost' an employer will need to conduct further assessment, and at their discretion, determine the appropriate category for these trips as business or private to ensure toll costs are not misclassified.

57. It is, however, noted that the In-Car Device and the e-toll tag would be in different vehicles in a 'Toll Without Trip Cost' scenario. The LBM Toll Reporting Module will not align with the Trip Log created by the In-Car Device in this scenario without the intervention of the employer.

58. The LBM Toll Reporting Module and the LBM Toll Module Report that categorises the toll transactions based on an employees' classification of travel, enables an employer to appropriately establish the business and private use of the toll expenses, which enables the employer to correctly apply the otherwise deductible rule to reduce the taxable value of the benefit.

**Will the tolls used for private trips be exempt under section 58P?**

59. Section 58P provides that a benefit is exempt if it is considered to be a minor benefit. Broadly speaking, the minor benefits exemption exempts benefits if the value of

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the benefit is less than \$300 and it is considered unreasonable to treat the benefit as a fringe benefit according to the factors provided in paragraph 58P(1)(f).

Where:

- (a) a benefit (in this section called a **minor benefit**) is provided in, or in respect of, a year of tax (in this section called the **current year of tax**) in respect of the employment of an employee of an employer;
- ...
- (e) the notional taxable value of the minor benefit in relation to the current year of tax is less than \$300; and
- (f) having regard to:
  - (i) the infrequency and irregularity with which associated benefits, being benefits that are identical or similar to:
    - (A) the minor benefit; or
    - (B) benefits provided in connection with the provision of the minor benefit;
 have been or can reasonably be expected to be provided;
  - (ii) the amount that is, or might reasonably be expected to be, the sum of the notional taxable values of the minor benefit and any associated benefits, being benefits that are identical or similar to the minor benefit, in relation to the current year of tax or any other year of tax;
  - (iii) the amount that is, or might reasonably be expected to be, the sum of the notional taxable values of any other associated benefits in relation to the current year of tax or any other year of tax;
  - (iv) the practical difficulty for the employer in determining the notional taxable values in relation to the current year of tax of:
    - (A) if the minor benefit is not a car benefit – the minor benefit; and
    - (B) if there are any associated benefits that are not car benefits – those associated benefits; and
  - (v) the circumstances surrounding the provision of the minor benefit and any associated benefits including, but without limiting the generality of the foregoing:
    - (A) whether the benefit concerned was provided to assist the employee to deal with an unexpected event; and
    - (B) whether the benefit concerned was provided otherwise than wholly or principally by way of a reward for services rendered, or to be rendered, by the employee;

it would be concluded that it would be unreasonable to treat the minor benefit as a fringe benefit in relation to the employer in relation to the current year of tax;

the minor benefit is an exempt benefit in relation to the current year of tax.

60. Taxation Ruling TR 2007/12 *Fringe benefits tax: minor benefits* contains comprehensive guidance on the application of the minor benefit exemption in section 58P. Paragraphs 153 and 156 in Appendix 2 of TR 2007/12 states:

153. To be considered an exempt benefit for the purposes of section 58P the benefit must first have a notional taxable value of less than \$300.

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156. Whether a minor benefit that has satisfied the threshold test is an exempt benefit can only be determined by considering the five criteria stipulated in paragraph 58P(1)(f) and then reaching a conclusion that it would be unreasonable to treat that minor benefit as a fringe benefit.

**Will the benefit meet the criteria in paragraph 58P(1)(f)?**

61. The minor benefits exemption may apply to exempt road toll expenses from FBT where the expenses incurred have a taxable value of less than \$300 and it would be unreasonable to treat the benefit as a fringe benefit based on the assessment of the other relevant criteria pursuant to paragraph 58P(1)(f).

62. In paragraphs 9 and 10 of TR 2007/12 it is stated that:

9. In considering the application of the exemption under section 58P it is necessary to look to the nature of the benefit provided and give due weight to each of the criteria. The weight given to each criterion will also vary depending on the circumstances surrounding the provision of each benefit.

10. Section 58P does not apply to exempt all benefits that have a notional taxable value of less than \$300.

63. Therefore, where, the taxable value of a benefit is less than \$300, due consideration must also be given to the 5 criteria stipulated in paragraph 58P(1)(f). After considering all factors, it can then be determined whether it would be unreasonable to treat the minor benefit as a fringe benefit.

**Can the Logbook Me Toll Reporting Module be used to determine if the benefit is an exempt minor benefit?**

64. The reporting functionality contained within the LBM Toll Reporting Module enables an employer to identify those tolls that are private in nature. Accordingly, such reporting enables an employer to determine the number of return trips considered private in nature and the total value of corresponding private toll expenses during the FBT year. The LBM Toll Reporting Module can be utilised to assist in determining whether the minor benefits exemption can be applied to exempt the toll expenses from FBT.

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## References

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### *Related Rulings/Determinations:*

TR 2007/12

### *Legislative references:*

- |  |   |
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| <ul style="list-style-type: none"> <li>- FBTAA 1986 136(1)</li> <li>- FBTAA 1986 20</li> <li>- FBTAA 1986 45</li> <li>- FBTAA 1986 24</li> <li>- FBTAA 1986 52</li> <li>- FBTAA 1986 58P</li> <li>- FBTAA 1986 58P(1)</li> </ul> | <ul style="list-style-type: none"> <li>- FBTAA 1986 58P(1)(f)</li> <li>- FBTAA 1986 Pt III Div 2 Subdiv A</li> <li>- FBTAA 1986 Pt III Div 3 Subdiv A</li> <li>- FBTAA 1986 Pt III Div 4 Subdiv A</li> <li>- FBTAA 1986 Pt III Div 5 Subdiv A</li> <li>- FBTAA 1986 Pt III Div 6 Subdiv A</li> <li>- FBTAA 1986 Pt III Div 7 Subdiv A</li> <li>- FBTAA 1986 Pt III Div 8 Subdiv A</li> <li>- FBTAA 1986 Pt III Div 9 Subdiv A</li> <li>- FBTAA 1986 Pt III Div 10 Subdiv A</li> <li>- FBTAA 1986 Pt III Div 11 Subdiv A</li> <li>- ITAA 1997 8-1</li> </ul> |
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### ATO references

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