PCG 2016/10 - Fleet cars: simplified approach for calculating car fringe benefits

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Practical Compliance Guideline

Fleet cars: simplified approach for calculating car fringe benefits

Relying on this Guideline

This Practical Compliance Guideline sets out a practical administration approach to assist taxpayers in complying with relevant tax laws. Provided you follow this Guideline in good faith, the Commissioner will administer the law in accordance with this approach.

Table of Contents **Paragraph**

What this Guideline is about

1. An employer may elect under section 10 of the *Fringe Benefits Tax Assessment Act 1986* (FBTAA) to apply the operating cost method to work out the taxable value of car fringe benefits provided to their employees.

2. One component of the operating cost method requires the employer to work out the *business use percentage* applicable to each of the cars provided.

3. Feedback and experience has shown that compliance with the record-keeping requirements of the operating cost method can be difficult and time-consuming for employers with large fleets. To reduce these compliance costs, this Guideline provides an optional, simplified approach to working out the *business use percentage* component of the operating cost method for employers with a fleet of 20 or more cars.

4. This Guideline has been prepared following consultation with business taxpayers. It outlines a simplified approach for calculating car fringe benefits that is expected to reduce the record-keeping burden on employers with large fleets by allowing them to rely on a representative *average business use percentage* to calculate car fringe benefits for the fleet under the operating cost method.

Date of effect

5. An employer meeting the criteria in paragraph 6 can choose to apply this Guideline to the calculation of the taxable value of car fringe benefits in the 2017 FBT year and later years.

Who this Guideline applies to

6. This Guideline applies to you if:

- you are an employer with a fleet of 20 or more cars
- the cars are 'tool of trade' cars
- your employees are mandated to maintain logbooks in a logbook year
- you hold valid logbooks for at least 75% of the cars in the logbook year
- the cars are of a make and model chosen by the employer, rather than the employee[1]
- each car in the fleet had a GST-inclusive value less than the luxury car tax threshold[2] applicable at the time the car was acquired, and
- the cars are not provided as part of an employee's remuneration package (for example, under a salary packaging arrangement), and employees cannot elect to receive additional remuneration in lieu of the use of the cars.

Simplified record-keeping approach

7. If you meet the criteria in paragraph 6 of this Guideline, you can apply an *average business use percentage* to all tool of trade cars held in the fleet in the logbook year and the following 4 years.

8. You calculate the average business use percentage by:

- gathering all logbooks kept for each car in the fleet
- determining which of those logbooks are valid
- confirming that you have valid logbooks for at least 75% of the cars in the fleet, and
- calculating the average of the business use percentages determined in accordance with each of the valid logbooks.[3]

9. This simplified record-keeping approach can be applied for a period of 5 years in respect of the fleet (including replacement and new cars) provided the fleet remains at 20 cars or more, and subject to there being no material and substantial changes in circumstances. An example of a substantial change would be a change in location of the employer's depot that would substantially alter the business use percentage of the fleet.

10. The approach outlined in this Guideline may also be used as a basis for determining individual fringe benefits amounts for employees, although such amounts would, in any event, be excluded fringe benefits for these purposes if a fleet car is made available to more than one employee for private purposes in the same FBT year.[4]

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[1] A car will be taken to have been chosen by the employer if selected by the employee from a limited list of cars nominated by the employer, such as for the purposes of meeting work, health and safety requirements.
[2] For more information on the luxury car tax threshold, see Luxury car tax rate and thresholds.
[3] The average of the business use percentages can be calculated by summing the percentages determined by each of the valid logbooks and dividing by the number of valid logbooks, or by summing the business kilometres recorded in each valid logbook and dividing by the total kilometres recorded in each valid logbook.
[4] Section 10 of the *Fringe Benefits Assessment Regulations 2018*.

Example

Employer with valid logbooks for 80% of the fleet

11. *An employer with a fleet of 50 cars and a mandatory logbook policy decides to apply the fleet car simplified approach. They confirm that all cars in the fleet meet the required criteria and 40 cars in the fleet have a valid logbook (which exceeds the 75% valid logbook requirement). The employer then uses those logbooks to calculate the average business use percentage as 85%.*

12. *The employer can use the average business use percentage of 85% for a 5-year period to calculate the taxable value of car fringe benefits provided in respect of the fleet.*

Glossary of terms

13. The following terms are defined for the purposes of the simplified record-keeping approach outlined in this Guideline.

Tool of trade

14. A 'tool of trade' is a car provided by an employer to their employee to enable the employee to carry out duties that involve extensive business use of the car. For example, a car is a tool of trade where an employer provides the car to their sales representative to enable them to visit multiple customers each day as part of their role.

15. Where a car is provided by an employer to an employee mainly for private use purposes or as part of a salary packaging arrangement, the car is not a 'tool of trade' car.

Salary packaging arrangements

16. A 'salary packaging arrangement' is defined in subsection 136(1) of the FBTAA.

Commissioner of Taxation
19 October 2016

Amendment history

15 July 2026

Part	Comment
More information	Paragraph 13 removed due to the linked web content being archived.
All	Guideline updated in line with current style and accessibility requirements.

1 June 2017

Part	Comment
Table of contents	Updated.
Does this Guideline apply to you?	Amended 'luxury car limit' to 'luxury car tax threshold'.
More information	Include a link to frequently asked questions.
Appendix	Include glossary of terms.
Feedback	Include details for providing feedback.
References	Include reference to subsection 136(1) of the FBTAA. Remove reference to LCTD 2016/1.

References

Legislative references:
- FBTAA 1986 10
- FBTAA 1986 136(1)
- Fringe Benefits Assessment Regulations 2018 10

Other references:
Luxury car tax rate and thresholds

ATO references
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