

# Cover sheet for: PCG 2016/10

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## PCG 2016/10 history

19 October 2016 **Original guideline**

You are here → 1 June 2017 **Updated guideline**



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## Fleet Cars: simplified approach for calculating car fringe benefits

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### 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.*

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### 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.

## Does this Guideline apply to you?

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 log books in a log book year
  - you hold valid log books for at least 75% of the cars in the log book year
  - the cars are of a make and model chosen by the employer, rather than the employee<sup>1</sup>
  - each car in the fleet had a GST-inclusive value less than the luxury car tax threshold<sup>2</sup> 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 above criteria, you can apply an *average business use percentage* to all tool of trade cars held in the fleet in the log book year and the following four years.

8. You calculate the *average business use percentage* by:
- gathering all log books kept for each car in the fleet
  - determining which of those log books are valid
  - confirming that you have valid log books 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 log books.<sup>3</sup>

9. This simplified record-keeping approach can be applied for a period of five 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

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<sup>1</sup> 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.

<sup>2</sup> For more information on the luxury car tax threshold, please see: <https://www.ato.gov.au/Rates/Luxury-car-tax-rate-and-thresholds/>

<sup>3</sup> The average of the business use percentages can be calculated by summing the percentages determined by each of the valid log books and dividing by the number of valid log books, or by summing the business kilometres recorded in each valid log book and dividing by the total kilometres recorded in each valid log book.

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.<sup>4</sup>

### **Example**

#### *Employer with valid log books for 80% of the fleet*

11. An employer with a fleet of 50 cars and a mandatory log book 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 log book (which exceeds the 75% valid log book requirement). The employer then uses those log books to calculate the average business use percentage as 85%.

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

### **More information**

13. For more information, refer to [Simplified approach for calculating car fringe benefits on fleet cars – frequently asked questions](#).

### **Appendix: Glossary of terms**

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

#### **Tool of trade**

15. 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.

16. 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**

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

### **Feedback**

18. If you have comments or feedback relating to this Practical Compliance Guideline, please email [FBT Risk & Intel <R7967@ato.gov.au>](mailto:FBT_Risk_&_Intell@ato.gov.au).

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**Commissioner of Taxation**

19 October 2016

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<sup>4</sup> Regulation 8 of the *Fringe Benefits Tax Regulations 1992*.

## Amendment history

Date of amendment	Part	Comment
1 June 2017	Table of contents Does this Guideline apply to you? More information Appendix Feedback References	Updated. Amended 'luxury car limit' to 'luxury car tax threshold'. Include a link to frequently asked questions. Include glossary of terms. Include details for providing feedback. Include reference to subsection 136(1) of the FBTA. Remove reference to LCTD 2016/1.

## References

ATOlaw topic(s)	Fringe benefits tax ~~ Car benefits ~~ Private use Fringe benefits tax ~~ Car benefits ~~ Substantiation Fringe benefits tax ~~ Car benefits ~~ Taxable value ~~ Car operating cost method Fringe benefits tax ~~ Car benefits ~~ Taxable value ~~ Car statutory formula method
Legislative references	FBTAA 1986 FBTAA 1986 10 FBTAA 1986 136(1) Fringe Benefits Tax Regulations 1992 Regulation 8
BSL	PGH

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