A car fringe benefit most commonly arises when a car, which is owned or leased by the University, is made available for the private use of an employee.

Cars are defined to include:

- motor cars, panel vans and utilities (less than 1 tonne), four wheel drives and station wagons;
- any other goods-carrying vehicles with a designed carrying capacity of less than 1 tonne; and
- any other passenger-carrying vehicles with a designed carrying capacity of fewer than 9 occupants.

Private use is taken to include:

- actual usage for private purposes by the employee;
- when the car is not at the University’s premises and the employee is allowed to use it for private purposes;
- when the car is garaged at an employee’s home or temporary accommodation e.g. hotel, regardless of whether or not the employee has permission to use it privately; or
- when the car is used by an employee for travel to and from work.

A Faculty or a University “pool” car available for various employees to use for University business during the day that is garaged overnight by an employee, at a place other than on the University’s premises, is deemed to be used for private purposes on that day.

Detailed records of these vehicles are required to be kept by the University in order to determine any FBT liability.

Private use of the car may be exempt if:

- the car is a taxi, panel van or utility truck (designed to carry a load of 1 tonne or more), or other commercial vehicle not designed principally to carry passengers;

AND

- the employee’s private use of such a vehicle is limited to:
  (i) travel between work and home;
(ii) travel which is incidental to travel in the course of employment duties; or
(iii) non-work related use that is minor, infrequent or irregular.
Calculation of Car Fringe Benefits

The two methods of calculating car fringe benefits are the statutory method and the operating cost method. The University mainly uses the statutory method to calculate the taxable value of a car fringe benefit. However, depending on the business use percentage it may be more tax effective for the University to use the operating cost method where the car travels high business kilometres.

**STATUTORY METHOD**

The taxable value is calculated using the following formula:

\[
\frac{A \times B \times C - E}{D}
\]

where
- \(A\) = the base value of the car
- \(B\) = the statutory percentage
- \(C\) = the number of days in the FBT year when the car was used or available for private use by University employee(s)
- \(D\) = the number of days in the FBT year
- \(E\) = the amount of any employee contributions

**Base Value of the Car**

*If the car is owned by the University*

The aggregate of:
- its original purchase price;
- fitted accessories that are not required for business usage (eg air conditioning, car stereo);
- dealer delivery charges;
- goods & services tax; and
- customs duty.

but does not include:
- registration; and
- stamp duty charges.

*Where the car is leased to the University*

The aggregate of:
- market value at the time the lease commenced;
- goods & services tax; and
• customs duty.

Where the car has been owned or leased for a period of four years the base value of the car will be reduced by 1/3.

Statutory Percentage

Statutory percentage is determined by reference to the total number of kilometres travelled by the car for the whole year (this includes business and private usage).

If the car is owned or leased by the University for only part of an FBT year, it is necessary to work out the annualised kilometres (i.e. how many kilometres would have been travelled if the car was owned or leased for the whole year). The statutory percentage varies from year to year. For the rates applicable for this year refer to Part 4.1 Attachment A.

Days Available for Private Use

Please note if your car is damaged and in a workshop for repairs it is still taken to be available for your private use, unless it is damaged to the point that it is not road worthy.

Please also note that if your car is parked at an airport it is still taken to be available for your private use.

An opportunity to reduce your days available for private use occurs when the car is garaged at your employer’s premises and the keys are left in the custody of your employer.

Employee Contributions

The taxable value of a car benefit is reduced by the amount of any contribution made by the employee in respect of fuel, oil, insurance, registration, repairs and maintenance.

The employee must supply documentary evidence of the expenditure (e.g. receipts or invoices) to the University. However, in the absence of documentary evidence for fuel and oil costs a declaration (Part 4.2 Attachment A) from the employee must be made to the University prior to lodgement of the FBT return.

Please note University will not be required to remit GST on this employee contribution as GST would have been paid when the employee incurred the costs and the University is not receiving consideration directly.
Operating Cost Method

The taxable value is a percentage of the total costs of operating the car during the FBT year less any employee contributions. The percentage varies with the extent of actual private use. Detailed logbooks must be maintained before this method can be used, including for Faculty or University “pool” cars.

The taxable value is calculated by the formula: 

\[ \text{Taxable Value} = C \times (100\% - BP) - R \]

where:
- \( C \) = Operating costs for period
- \( BP \) = Estimated business percentage use
- \( R \) = Employee contribution in period

Operating Costs for period

The operating costs of a car comprise repairs, maintenance, fuel, registration, insurance, depreciation, lease and interest expenses that are incurred in relation to the car for the period the car was held for use by the provider of the benefits. Payments for smash repairs met by an insurance company or the person legally responsible for the damage to cars are excluded as operating costs.

The operating costs of the car will be at their GST-inclusive values, as appropriate.

In relation to a car owned by the employer, notional interest payments (calculated by applying a statutory interest rate (7.30% for year ended 31 March 2007) to the depreciated value of the car) are taken into account. The operating cost of the car owned by the employer will also include notional depreciation (calculated at the rate of 22.5% for cars acquired prior to 30 June 2002 and 18.75% for cars acquired after 30 June 2002 based on the depreciated value of the car). The motor vehicle depreciation cost limit adopted for income tax purposes is ignored for FBT purposes.

Estimated Business Percentage Use

Each year, an employer must estimate the percentage of business use of a particular car for the time it was held in the FBT year. The business use percentage is the percentage of the total distance travelled by the car that relates to business use as determined by:

\[ \text{Estimated Business Percentage} = \frac{\text{Estimated Business Kilometres}}{\text{Total Kilometres}} \]
In estimating the percentage of business use of a particular car, an employer must prepare a logbook for a continuous period of 12 weeks starting or ending at any time in the first FBT year (and every subsequent 5 years). Each year the employer must also:

- record the total kilometres (i.e. opening and closing odometer readings) travelled by the car in the period;
- specify the estimated number of business kilometres travelled; and
- specify the estimated percentage of business use after taking into account any variations in the pattern of business use of the car throughout the year, such as holidays or seasonal factors.

**Reduction In Taxable Value**

The taxable value of the car benefit calculated under the actual operating costs method will be reduced by any amounts paid (in after tax dollars) to the employer for the right to use the car, and/or any un-reimbursed car expenses incurred by the employee in operating the car.

If an employee makes a contribution towards the benefit provided, the value of the employee’s contribution will be the GST-inclusive value, as appropriate.

**Documentation**

It is essential, for the correct calculation of car fringe benefits tax, that the University obtain odometer readings at 31 March every year. Purchase price details and relevant dates of purchase etc are also required.

Documentary evidence of all un-reimbursed expenses excluding petrol and oil, incurred by an employee must be supplied to the employer. For un-reimbursed expenses in respect of petrol and oil, a declaration of the amount of the employee’s expenditure may be supplied in place of documentary evidence refer to Part 4.2 Attachment A.

When a car is made available to a number of University employees, adequate records (eg a logbook) must be kept to determine on which day(s) the car was available for private usage.

**Gross Up Factor**

Due to the introduction of GST it will be essential to determine which gross up factor will apply to a car fringe benefit. Please refer to the table on the following page which will assist in determining which gross up factor applies.
Car Fringe Benefits - Post 1 April 2000

Flowchart of FBT Gross-Up Factor to Apply for Calculating the Grossed-Up Taxable Value for FBT Liability Calculations

**Employer/provider solely input taxed?**

- No
  - **Car owned? (i.e. not leased car)**
    - Yes
      - **Purchased on or after 1 July 2000?**
        - No
          - **Type 2 - lower gross-up factor to apply (multiply by 1.8692).**
        - Yes
          - **Type 1 higher gross-up factor to apply (multiply by 2.0647) for period car held and provided as a fringe benefit after 1 July 2000.**
    - No
      - **Lease continues on or after 1 July 2000 and lease payments are subject to GST?**
        - No
          - **Type 2 - lower gross-up factor to apply (multiply by 1.8692).**
        - Yes
          - **Type 1 higher gross-up factor to apply (multiply by 2.0647) for period car held and provided as a fringe benefit after 1 July 2000.**

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Fuel and Oil Expenses Declaration

I, ________________________________ declare that

____________________________________ expenses of $____________________________ were

__________________________________________ (state whether fuel and/or oil) (amount in figures)

incurred by me during the period from ___________________________ in the year______________ to

____________________ in the year_______ in respect of ______________________________ registration

(make and model of car)

number ________________________________.

Signed ___________________________________

Date ____________________________________

This declaration must be completed when an employee has fuel and/or oil expenditure for a car owned or leased by the University.
No receipts are required.

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