

# PALMER & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

## **FRINGE BENEFITS TAX NEWSLETTER**

As the end of the 2025 Fringe Benefits Tax (FBT) year is upon us, we thought it timely to provide some important information regarding FBT on motor vehicles. In this newsletter, we delve into the intricacies of motor vehicle fringe benefits, exploring the types of cars covered, the calculation of the taxable value, and the significance of FBT in maintaining a balanced tax system.

### **What Is Fringe Benefits Tax?**

Fringe Benefits Tax is a tax that employers in Australia pay on certain benefits they provide to their employees, their employees' families, or other associates. These benefits are provided in addition to, or instead of, salary or wages. A fringe benefit is a non-cash benefit provided to an employee. Examples include allowing an employee to use a work car for private purposes, providing an employee accommodation, paying for an employee's gym membership, providing free tickets to events, etc.

The employer is responsible for paying FBT, even if the benefit is provided by a third party under an arrangement with the employer.

FBT is calculated on the taxable value of the fringe benefits provided. The FBT year runs from 1 April to 31 March.

FBT ensures that non-cash benefits provided to employees are taxed similarly to cash salary and wages, maintaining fairness in the tax system.



# Motor Vehicle Fringe Benefits

A car can be considered a fringe benefit in Australia when an employer provides it to an employee for private use.

A car fringe benefit occurs when an employer makes a car available for an employee's private use. This includes situations where the car is garaged at or near the employee's home, even if it is not being driven.

## Types of Cars Covered

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The benefit applies to passenger vehicles designed to carry fewer than nine passengers, including four-wheel drives, but not motorcycles.

Utes, trucks, and dual cab vehicles are generally exempt from FBT when they are primarily used for business purposes. However, when these exempt vehicles are used or are available for personal use, such as taking them home for the weekend, they will still be subject to FBT. [TC1] Personal use includes any use that is not work-related, like running personal errands, weekend trips, or other activities outside of the employee's job responsibilities.

[TC1] Duplicated sentence, condense into one paragraph?

## Calculating the Taxable Value

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FBT is calculated by determining the taxable value of the benefit provided to the employee and then applying the FBT rate (currently 47%) to this taxable value.

There are two methods to calculate the taxable value of a car fringe benefit:

1. **Statutory Formula Method:** This method uses a formula based on the car's cost price, a statutory percentage (usually 20%), and the number of days the car is available for private use.
2. **Operating Cost Method:** This method calculates the taxable value based on the total operating costs of the car, including fuel, maintenance, and depreciation, adjusted for the percentage of private use. If you wish to use this method, you will need to keep a motor vehicle logbook for substantiation purposes.

The Australian Taxation Office (ATO) requires the logbook to be kept for a continuous period of at least 12 weeks. This logbook must accurately record all business and private travel to determine the percentage of private use. Once a valid logbook has been maintained for 12 weeks, it is valid for five years unless there are significant changes in the pattern of use.

### Your logbook must include:

- The start and end dates of the logbook period.
- Odometer readings at the beginning and end of the period.
- Total kilometres travelled during the period.
- Kilometres travelled for each journey, including the reason for the journey (business or private), start and end dates, and odometer readings.



## Employee Contributions

Employee contributions are payments made by employees towards the cost of fringe benefits they receive. These contributions can reduce the taxable value of the fringe benefits and, consequently, the employer's FBT liability.

## Employer Responsibilities

Employers must:

- Calculate the taxable value of the car fringe benefit.
- Pay the FBT on this value.
- Keep detailed records, including logbooks if using the operating cost method.

# Private Use of Motor Vehicle

A car fringe benefit arises if the car is either used privately by an employee or is available for private use (including by an associate of the employee).

### Conditions for Private Use:

- The car is used privately by an employee or their associate.
- The car is kept at or near the employee's (or associate's) residence (Garaged Near Residence).
- The car is not on the employer's business premises, and the employee or their associate is entitled to use it or has custody/control of it.

### Business Premises Exception

Generally, a car garaged at the employer's business premises is not deemed available for private use unless the premises are near the employee's residence.

Evidence is required to show the employee (and associates) cannot access or use the car while it is parked on the employer's premises, such as a documented agreement.

## FBT on Zero to Low Emission Vehicles

Zero to low emissions motor vehicles (ZELVs) are eligible to be exempt from FBT. This is to promote the adoption of environmentally friendly vehicles by reducing the financial burden associated with their use.

### FBT Exemption Criteria:

- The vehicle must be first held and used on or after 1 July 2022.
- The vehicle must meet the definition of a zero or low emissions vehicle.
- The luxury car tax (LCT) must not have been payable on the vehicle during its lifetime (ie. no previous owners of the vehicle before you could have paid LCT on its purchase)

### What are zero to low emissions motor vehicles (ZELVs)

Zero to low emissions motor vehicles (ZELVs) are vehicles designed to produce minimal or no exhaust emissions. These vehicles are crucial in reducing environmental pollution and include:

1. **Battery Electric Vehicles (BEVs):** Powered solely by electricity stored in batteries.
2. **Hydrogen Fuel Cell Electric Vehicles (FCEVs):** Generate electricity through a chemical reaction between hydrogen and oxygen.
3. **Plug-In Hybrid Electric Vehicles (PHEVs):** Combine an electric motor with a traditional internal combustion engine, allowing them to be recharged via an external power source

### Plug-In Hybrids:

From 1 April 2025, plug-in hybrid electric vehicles will no longer qualify for the FBT exemption unless they were already in use under a salary packaging arrangement before this date.



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