



NEW ATO GUIDELINES

PRIVATE USE OF FBT EXEMPT VEHICLES



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P 07 4924 9100 / E kennas@kennas.com / www.kennas.com

5th Floor Capricornia Electricity Centre Cnr Fitzroy & Alma Streets / PO Box 201 / Rockhampton Qld 4700



The Australian Taxation Office (ATO) has released new guidelines for the private use of Fringe Benefits Tax (FBT) on exempt vehicles.

Fringe Benefits Tax (FBT) is tax paid by employers on certain benefits provided to employees as part of their salary or wages package. It is applied most commonly to benefits such as cars, parking, entertainment, housing and electronic devices.

An FBT exemption is usually claimed for work vehicles provided the vehicle is designed to carry more than one tonne and any private use is limited to infrequent, irregular or minor travel.

Previously the ATO had not specified what infrequent, minor or irregular use was, and while the ATO's guidelines are not a change in tax laws or rules, they do help to provide a clearer understanding around this topic.

The following ATO guidelines apply to the 2019 FBT year (1 April 2018 to 31 March 2019) and will be ongoing:

- Employees are allowed limited private use of an eligible vehicle that adds not more than two kilometres to their trip between home and work;
- Employees private use is not to exceed 1,000 kilometres in total for the FBT year;
- Any single return journey for a wholly private purpose is not to exceed 200 kilometres.

The following are some of the conditions relating to the provision of a vehicle:

- The vehicle is provided to the employee to carry out work duties;
- The vehicle is not provided as part of a salary packaging arrangement and the employee cannot elect to receive additional remuneration in lieu of using the vehicle;
- The value of the vehicle is less than the luxury car tax threshold amount of \$66,331;

- The employer takes all reasonable steps to limit private use of the vehicle;
- The employer has measures in place to monitor private use of the vehicle. Under the new guidelines private use of company vehicles has been limited significantly and many employers may find themselves exposed to FBT.

We expect to see an increase in ATO audit activity in this area and we provide the following tips for employers:

- Review your 'private use' policies and administration processes to ensure they meet the new guidelines;
- Provide employees with written policies regarding the private use of vehicles referring to the ATO guidelines mentioned above;
- If you have provided a work vehicle to an employee who does not own another vehicle, it is going to be difficult to prove that the employee limits their private use of the vehicle to less than 1,000 kilometres per year.
- If your vehicle has business signage be mindful that this makes it even easier to identify it in private use situations;
- Be aware that the ATO has in past audits used images on social media accounts as evidence of significant private use.

If we can help you to understand more about the new FBT guidelines and how they might affect you and your business, please contact our office.

FOR MORE INFORMATION CONTACT



Darren Smith
Partner / Director

Chartered Accountant

07 4924 9100 / 0400 111 222
darrensmith@kennas.com



Peter Shonhan
Partner / Director

Chartered Accountant

07 4924 9100 / 0439 534 197
petershonhan@kennas.com