



## Small business:

# Car fringe benefits tax (FBT) guide



If you are an employer and your employees use a car you hold for private purposes, you may be providing a car fringe benefit and FBT may apply.

FBT also applies to the private use by the employee's family or other associates. FBT is separate to other taxes such as income tax or goods and services tax (GST).

### **i** This information will help you understand:

- whether you are providing a car fringe benefit
- the implications of providing cars to your employees
- what records to keep.

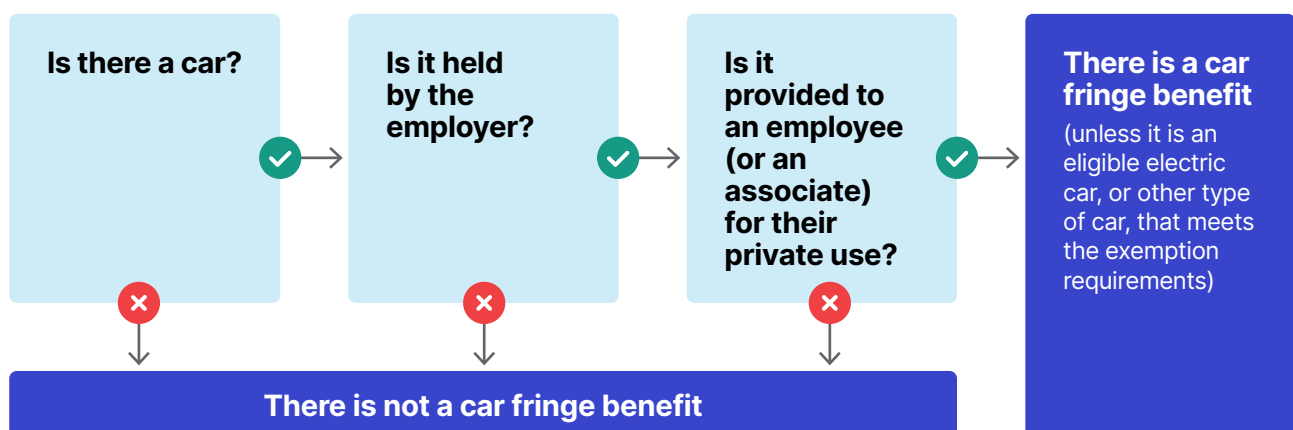
## Key points

- Determine whether the vehicles that employees use are cars.
- Choose either the operating cost method or statutory formula method to calculate the taxable value of a car fringe benefit – these methods have different record keeping requirements.
- If you have an FBT liability, lodge your return and pay the FBT.
- Work out if your employee has a reportable fringe benefits amount – [ato.gov.au/ReportableFBT](https://ato.gov.au/ReportableFBT)

**i** You can use the FBT car calculator ([ato.gov.au/FBTCarCalculator](https://ato.gov.au/FBTCarCalculator)) to calculate the value of the fringe benefit.

## When a car fringe benefit is provided

To work out if you are providing a car fringe benefit, consider:



**i** Find out more about how FBT applies to cars at [ato.gov.au/CarFringeBenefitsTax](https://ato.gov.au/CarFringeBenefitsTax)

**i** Exemption requirements can be found at [ato.gov.au/VehicleFBTExemption](https://ato.gov.au/VehicleFBTExemption)

## If there is a car

Generally, if a car is held by an employer and provided to an employee for their private use, then there is a car fringe benefit.

For FBT purposes, a 'car' is defined as any of the following:

- a sedan or station wagon
- any other goods-carrying vehicle with a carrying capacity of less than one tonne, such as a panel van or utility (including many 4-wheel drives and some utes)
- any other passenger-carrying vehicle designed to carry fewer than 9 passengers.

## Vehicles that are not cars

Vehicles are not considered cars if they are:

- outside the above specifications with higher goods carrying and passenger loads
- motorbikes or other transport.

If the vehicle is not a car, and the employee has private use of it, the employer may be providing a **residual fringe benefit** rather than a car fringe benefit.

More information on residual fringe benefits can be found at [ato.gov.au/ResidualFBT](https://ato.gov.au/ResidualFBT)

## If the car is held by the employer

Generally, a car held by the employer means a car you own or lease. You also hold a car if you have an arrangement with a third party and they provide the car to your employees.

You are not considered to hold the car if you hire it, such as with a rental car or taxi service, and it is for:

- an employee's private use occasionally, as required
- less than 3 months.

In these situations, a residual fringe benefit may arise rather than a car fringe benefit.

## If the car is provided for private use

A car fringe benefit commonly arises where you make a car you own or lease available for an employee's private use.

This happens on any day that the car is either:

- actually used for private purposes by the employee
- available for the private use of the employee.

A car is treated as being available for an employee's private use on any day that the car is either:

- not at your premises and the employee is allowed to use it for private purposes
- garaged at the employee's home.

A car garaged at an employee's home is treated as available for their private use regardless of whether they have permission to use it privately.

Similarly, where the place of employment and residence are the same, the car is treated as available for the employee's private use.

As a general rule, travel to and from work is private use of a vehicle.

## If there is an electric car

Benefits provided for electric cars are exempt from FBT if **all** the following criteria are met:

- the car is a zero or low emissions vehicle
- the first time the car is both held and used is on or after 1 July 2022
- the car is used by a current employee or their associates (such as family members)
- luxury car tax (LCT) has never been payable on the importation or sale of the car.

The exemption will be phased out for plug-in hybrid electric vehicles from 1 April 2025 and more information can be found at

[ato.gov.au/FBTelectriccars](https://ato.gov.au/FBTelectriccars)

Although the private use of the electric car is exempt from FBT, you still include the value of the benefit when working out if an employee has a reportable fringe benefits amount

[ato.gov.au/ReportableFBT](https://ato.gov.au/ReportableFBT)

## If there is exempt use of eligible vehicles

Some car types fit the definition of a car but are exempt from FBT if the employee's **private use is limited**.

Common types include:

- taxis
- panel vans
- utes.

Exemption requirements can be found at [ato.gov.au/VehicleFBTExemption](https://ato.gov.au/VehicleFBTExemption)

## Calculate your FBT

You can calculate the taxable value of a car fringe benefit using either the statutory formula method or the operating cost method.

You can choose the method that returns the lowest taxable value if you have the appropriate records.

**Statutory formula method** applies a 20% statutory rate to the car's base value.

**Operating cost method** is based on operating costs. The percentage of private use for a particular year is the difference between 100 and the percentage of business use.

### Taxable value comparison

#### Statutory formula method

Scenario:

- base value \$30,000
- available 365 days
- 365 days in the FBT year
- statutory percentage: 20%
- employee contributions \$1,100

**Taxable value = \$4,900**

#### Operating cost method

Scenario:

- total operating costs \$11,480
- 25% private use
- employee contributions \$1,100

**Taxable value = \$1,770**

You can use both methods to see which one yields the lowest taxable value. If you have the appropriate records, you can choose that method.

For more information, see [ato.gov.au/CarFBT](https://ato.gov.au/CarFBT)

### FBT car calculator

To help calculate the taxable value of a car fringe benefit, you can use the FBT car calculator which is on [ato.gov.au/FBTCarCalculator](https://ato.gov.au/FBTCarCalculator)

## Keep records

Keeping records helps you calculate and pay only the right amount of tax.

The records you need to keep depends on which method you use to calculate the taxable value of the benefit you provide. You need to have records to support any claims or calculations you make.

### Record keeping comparison

Determine which method is best for you based on the records you have kept.

#### Statutory formula method

- normal purchase records
- invoices
- receipts
- journal entries
- bills of sale
- lease documents
- employee records/declaration.

#### Operating cost method

- actual costs
  - repairs
  - maintenance
  - fuel
  - registration and insurance
  - leasing costs
- deemed costs
  - depreciation
  - interest
- logbook – 12 weeks each 5 years
- opening and closing odometer reading
- employee records/declaration.

Under the operating cost method, you must keep a logbook recording details of business journeys for a continuous period of 12 weeks. That 12 week period needs to be representative of your travel throughout the FBT year. You must also keep odometer records of the total kilometres travelled during the year. Each logbook you keep is valid for 5 years but you may start a new logbook at any time.

If your circumstances change, such as a change in the type of work undertaken by your business, you may need a new logbook.

#### What you need to know:

- sufficiently describe the purpose of the journey in your logbook entries so it can be clearly determined as either business or private – not just ‘business’ or ‘miscellaneous business’
- keep a separate logbook for each car
- record the odometer reading at the start of the FBT year, 1 April — record it again at the end of the FBT year, 31 March
- design your own logbook or use one of the many commercial paper or electronic products available
- use the same calculation method for an entire FBT year
- keep appropriate records and calculate for the period from 1 April until 31 March
- if you haven’t kept the required records for the operating cost method (such as logbooks), use the statutory formula method
- if the operating cost method would give you a better result, consider starting to keep the appropriate records and change methods next year.

## Register for FBT, lodge and pay

You're automatically registered for FBT when you lodge your first FBT return. However, we recommend you register once you have an FBT liability.

### There are several ways to register:

- online – if you already have an ABN at [ato.gov.au/FBTRegistration](https://ato.gov.au/FBTRegistration)
- phone
- registered tax agent
- paper form, Application to register for FBT on [ato.gov.au/FBTApplication](https://ato.gov.au/FBTApplication)

### What you need to know:

- once the FBT year ends, use your records to calculate your FBT
  - You can do so online at [ato.gov.au/FBTCarCalculator](https://ato.gov.au/FBTCarCalculator)
- if you have an FBT liability, you must lodge an FBT return and pay any FBT you owe through [ato.gov.au/FBTLodgment](https://ato.gov.au/FBTLodgment)
- FBT returns and payments are due by
  - 21 May if you prepare your return yourself or your tax practitioner lodges by paper
  - 25 June if your tax practitioner lodges electronically
- you may need to record reportable fringe benefits on your employee's payment summary or through Single Touch Payroll
  - find out more on reportable fringe benefits at [ato.gov.au/ReportableFBT](https://ato.gov.au/ReportableFBT)
- if you are registered for FBT and don't need to lodge an FBT return, complete a form called FBT – notice of non-lodgment ([ato.gov.au/FBTnonlodgmentnotice](https://ato.gov.au/FBTnonlodgmentnotice)) – this lets us know you assessed your position and don't need to lodge
- you need to keep your records for either:
  - 5 years from the date you lodge your FBT return, or
  - 5 years from the due date for lodgment of FBT returns (21 May) if you don't have to lodge a return.



**This is a general summary only.**

For more information, go to [ato.gov.au/CarFBT](https://ato.gov.au/CarFBT) or speak to a registered tax professional.

