


***CR 2016/44 - Income tax and fringe benefits tax:
customers who use the Smartrak Aust. Pty Ltd Fleet
Management System (FMS) system for car log book
records and for odometer records***

 This cover sheet is provided for information only. It does not form part of *CR 2016/44 - Income tax and fringe benefits tax: customers who use the Smartrak Aust. Pty Ltd Fleet Management System (FMS) system for car log book records and for odometer records*



Class Ruling

Income tax and fringe benefits tax:
customers who use the Smartrak Aust.
Pty Ltd Fleet Management System (FMS)
system for car log book records and for
odometer records

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❶ This publication provides you with the following level of protection:

This publication (excluding appendixes) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

What this Ruling is about

1. This Ruling sets out the Commissioner's opinion on the way in which the relevant provision(s) identified below apply to the defined class of entities, who take part in the scheme to which this Ruling relates.

Relevant provision(s)

2. The relevant provisions dealt with in this ruling are:

- section 10A of the *Fringe Benefits Tax Assessment Act 1986* (FBTAA)
- section 10B of the FBTAA
- subsection 136(1) of the FBTAA
- section 28-12 of the *Income Tax Assessment Act 1997* (ITAA 1997)
- section 28-120 of the ITAA 1997

- section 28-125 of the ITAA 1997; and
- section 28-140 of the ITAA 1997.

Class of entities

3. The class of entities to which this Ruling applies is customers who use the Smartrak Aust. Pty. Ltd. Fleet Management System (FMS) for car log book record and odometer record keeping requirements.

Qualifications

4. The Commissioner makes this Ruling based on the precise scheme identified in this Ruling.

5. The class of entities defined in this Ruling may rely on its contents provided the scheme actually carried out is carried out in accordance with the scheme described in paragraphs 8 to 30 of this Ruling.

6. If the scheme actually carried out is materially different from the scheme that is described in this Ruling, then:

- this Ruling has no binding effect on the Commissioner because the scheme entered into is not the scheme on which the Commissioner has ruled; and
- this Ruling may be withdrawn or modified.

Date of effect

7. This Ruling applies from 1 April 2016. However, this Ruling will not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of this Ruling (see paragraphs 75 and 76 of Taxation Ruling TR 2006/10).

Scheme

8. The following description of the scheme is based on information provided by the applicant. The following documents or relevant parts of them form part of and are to be read with the description. The relevant documents or parts of documents incorporated in this description of the scheme are:

- the application for Class Ruling dated 10 March 2016
- information provided by email on 1, 7, 11 and 22 April 2016, and
- information provided by phone on 11 April 2016.

Note: certain information has been provided on a commercial-in-confidence basis and will not be disclosed or released under Freedom of Information legislation.

9. Smartrak Aust. Pty Ltd (Smartrak) has developed the Fleet Management System (FMS) and an optional Pool Booking Module (together the Smartrak System) as a means of recording car log book entries.

10. The system records for each car journey the time the journey starts and finishes, the destination, the kilometres travelled and allows the driver to record the journey as being for either business or private purposes.

11. The Smartrak System is an integrated solution between its in-vehicle GPS based FMS and an optional Pool Booking add-on Module. While the booking system is the planning repository for the journey data, the FMS compliments this with actual date/time, location and odometer data.

12. The resulting reporting from these two modules is known as the 'Logbook Trip Report'.

FMS

13. FMS is Smartrak's in-vehicle hardware for tracking, storing and transmitting Trip data. Trip data comprises all vehicle location and movement data against date and time for the duration between ignition key on and ignition key off.

14. This tracking data from the core FMS cannot be modified at all by any users while it is residing on the vehicle unit.

15. All tracking data must pass over the encrypted link via a network and be processed by the central Smartrak FMS System.

16. If the in-vehicle tracking unit goes offline or out of coverage then all tracking data is stored locally until communication is restored. The unit can store up to three months of tracking data while in this mode, and will also be flagged within days of not communicating in the non-communicating units of the Smartrak monitoring process.

17. The system maintains a virtual odometer based on all the tracking movements recorded by the in-vehicle hardware. The virtual odometer leverages the accuracy of the GPS receivers. This is an event based logging of all movements the vehicle takes; distance, change of direction and time based polling all contribute to a thorough 'bread crumb' trail of vehicle movements which results in the virtual odometer.

The Pool Booking Module

18. The Pool Booking Module is an add-on to the FMS and is still part of the FMS software running on the same server and sharing the same database as the FMS.

19. Each vehicle user is also a Booking user and books the vehicles for the planned trips which has other benefits such as reserving the vehicle for them in a shared fleet environment.

20. Booking administrators are nominated in each Smartrak client and these people have additional authorisation which includes:

- able to book on behalf of other users, and
- able to update prior booking for corrections (that is private/business and purpose of journey corrections).

21. Each booking record stores the following key information:

- date and time of intended departure
- date and time of intended return
- vehicle ID: each booked vehicle has several references and maps to just a single registration number plate
- pick up location: this is a selection of available locations within the organisation where vehicles can be picked up from. The locations in this section map to geo fences in the Smartrak FMS
- reasons for travel: this is a mandatory selection from an available list of options that is preloaded by the administrator in the system for each client of Smartrak using this system. An administrator can change the reason for travel after the trip has completed but only from the available sections
- private/business flag: as a default, the system records all trips as business trips. The vehicle user has an option to check a box called 'Private Trip' to change the nature of the trip from the default business to private. This can be updated by the booking user up to and prior to the journey and only by a Booking administrator after the journey.

22. Only Booking administrators can modify bookings in the past, private/business flags and reasons for travel descriptions.

Other features of the Smartrak System

23. As an optional extra, unique Radio Frequency Identification (RFID) tags carried by drivers and readers attached to vehicles can be used so that each vehicle trip can identify the individual driver. This allows for a booking to be made by one person and then an actual driver to be defined for each trip (key on to key off) within the booking. The records will simply override the bookings records if available when it comes to reporting of the actual driver.

24. Smartrak uses common central Software as a Service (SaaS) solution and thus ensures a common approach for all clients. The Smartrak solution is deployed in dedicated data centres.

25. At the start of the journey the following information is collected:

- location – as captured by the in-vehicle GPS of the FMS when the ignition is turned on
- time/date – time and date are collected from in-vehicle GPS of the FMS at the time the ignition is turned on
- driver name – a unique RFID tag carried by drivers and readers (attached to vehicles) can be used to identify the individual driver. Otherwise, the driver is identified by information on the Booking system
- type of Journey – business or private use can be defined by the driver up to and prior to the journey and only by a booking administrator after the journey has occurred. As a default, the system recognises the journey as a 'business' trip
- reason for travel – this is a mandatory selection and at least one value is a required entry. The values a user can select from can only be from the available options in the drop down selection, as maintained by the employer
- purpose of journey – in addition to the 'reasons for travel' field, the employer can also make available or require input of the purpose of the journey in this free text field, and
- odometer reading – the starting odometer reading is odometer reading recorded in the FMS when the ignition was last turned off.

26. At the end of the journey the following information is collected:

- location – as captured by the in-vehicle GPS of the FMS when the ignition is turned off
- time/date – time and date are collected from in-vehicle GPS of the FMS at the time the ignition is turned off, and
- odometer reading – the odometer reading is calculated by the FMS which measures the distance travelled according to the tracking movements recorded by GPS.

27. At installation of the FMS the car's current odometer reading is input into the system. The odometer reading recorded by the FMS may be manually updated should it be necessary to synchronise with the car's odometer. The odometer reading is corrected as at a last known date and time where the system knows the vehicle was

stationary and the engine was turned off. This is typically done at service and recommended to be done every time the car is serviced. To correct the odometer reading, a reading of the odometer is simply taken and then updated on the Smartrak System software. This then updates the odometer readings in the system for all subsequent journeys from that particular date and time.

Reporting

28. The 'LogBook Trip Report' can be generated by authorised users and by each client for a desired period across a range or group of vehicles.

29. The report output includes the following information:

- vehicle make, model, year and registration
- date of trip
- driver name
- key on and Key Off Time
- trip duration (hours)
- odometer start and finish (km)
- private distance and business distance travelled (km)
- purpose of journey (free text)
- reasons for travel (as selected from the finite options in the booking system), and
- trip start address and end address (as resolved from the GPS location).

30. The 'Logbook Vehicle Summary Report' provides the following information:

- the number of private kilometres travelled during the selected period
- the number of business kilometres travelled during the selected period, and
- the calculated business use percentage for the selected period.

Ruling

31. The Smartrak System 'Logbook Trip Report' is a document that satisfies the definition of 'log book records' in subsection 136(1) of the FBTAA provided:

- the report is for an applicable log book period

- the purpose of the journey is sufficiently descriptive to enable the journey to be classified as a business journey, and
- the purpose of the journey classified as being a business journey is entered within a week of the journey occurring.

32. The Smartrak System 'Logbook Trip Report' is a document that satisfies the definition of 'odometer records' in subsection 136(1) of the FBTAA.

33. An employer using the Smartrak System 'Logbook Trip Report' is entitled to claim a reduction of operating costs of a car on account of business journeys, in a log book year of tax, as the Smartrak System 'Logbook Trip Report' meets the requirements of section 10A of the FBTAA provided:

- the report is for an applicable log book period
- the purpose of the journey is sufficiently descriptive to enable the journey to be classified as a business journey, and
- the purpose of any journey classified as being a business journey is entered within a week of the journey occurring.

34. An employer using the Smartrak System 'Logbook Trip Report' is entitled to claim a reduction of operating costs of a car on account of business journeys, in a non-log book year of tax, as the Smartrak System 'Logbook Trip Report' meets the requirements of section 10B of the FBTAA.

35. The Smartrak System 'Logbook Trip Report' and 'Logbook Vehicle Summary Report' will together satisfy the requirements for keeping a log book as set out in section 28-125 of the ITAA 1997 provided:

- the Smartrak System 'Logbook Trip Report' and 'Logbook Vehicle Summary Report' are for the period specified in section 28-120 of the ITAA 1997, and
- the purpose of any journey classified as being a business journey is entered within a week of the journey occurring and is sufficiently descriptive to enable the journey to be classified as a business journey.

36. The Smartrak System 'Logbook Trip Report' satisfies the requirements for keeping odometer records set out in section 28-140 of the ITAA 1997.

37. The Smartrak System 'Logbook Trip Report' and the 'Logbook Vehicle Summary Report' together are capable of being a document that satisfies the requirements to claim a deduction for car expenses using the 'log book' method for the purposes of section 28-12 of the ITAA 1997.

Commissioner of Taxation

22 June 2016

Appendix 1 – Explanation

❶ *This Appendix is provided as information to help you understand how the Commissioner's view has been reached. It does not form part of the binding public ruling.*

What is the operating cost method for the purposes of the FBTA?

38. Section 10 allows employers to elect to calculate the taxable value of a car fringe benefit using the cost basis method (operating cost method).

39. The taxable value of the car fringe benefit using the cost basis method (operating cost method) is calculated according to the following formula in subsection 10(2):

$$(C \times (100\% - BP)) - R$$

where:

C is the operating cost of the car during the holding period;

BP is either:

- (i) nil if, under sections 10A or 10B, the employer is not entitled to a reduction in the operating cost of the car on account of business journeys undertaken in the car during the holding period; or
- (ii) the business use percentage applicable to the car for the holding period; and

R is the amount (if any) of the recipient's payment

40. Therefore, employers intending to claim a reduction in the operating cost of a car, on account of business journeys undertaken during the holding period, must meet the requirements of either section 10A (if the year is a log book year of tax) or section 10B (if the year is a non-log book year of tax), as applicable.

Does the Smartrak System 'Logbook Trip Report' meet the relevant requirements of section 10A?

41. Section 10A states:

SECTION 10A

10A NO REDUCTION OF OPERATING COST IN A LOG BOOK YEAR OF TAX UNLESS LOG BOOK RECORDS AND ODOMETER RECORDS ARE MAINTAINED

Where one or more car fringe benefits in relation to an employer in relation to a year of tax relate to a car while it was held by a particular person (in this section called the 'provider') during a particular period (in this section called the 'holding period') in a year of tax that is a log book year of tax of the employer in relation to the car, the employer is entitled to a reduction in the operating cost of the car on account of business journeys undertaken in the car during the holding period if, and only if:

- (a) log book records and odometer records are maintained by or on behalf of the provider for an applicable log book period in relation to the car; and
- (b) odometer records are maintained by or on behalf of the provider for the holding period; and
- (c)
- (d) the employer specifies the employer's estimate of the number of business kilometres travelled by the car during the holding period; and
- (e) the employer specifies a percentage as the business use percentage applicable to the car in relation to the provider for the holding period.

42. Section 162G sets out various circumstances under which a particular year can be treated as a 'log book year of tax'. It is accepted for present purposes that all employers using Smartrak's system will make an election under paragraph 162G(1)(b) to treat a relevant current year of tax as a 'log book year of tax'.

43. Paragraph (a) of section 10A refers to log book records being maintained for an 'applicable log book period'.

44. The term 'applicable log book period' is defined in subsection 162H(1) as follows:

162H(1) [Car fringe benefit]

For the purposes of the application of section 10 in relation to a car fringe benefit in relation to an employer in relation to a car while it was held by a particular person during a particular period (in this subsection called the 'holding period') starting or ending in a year of tax, a reference to the applicable log book period is a reference to:

- (a) if the holding period is a period of less than 12 weeks – the holding period; or
- (b) in any other case – a continuous period of not less than 12 weeks that begins and ends during the holding period.

45. It is essential to meet the requirements of section 10A that both 'log book records' and 'odometer records' are maintained for an applicable log book period.

Does the Smartrak System 'Logbook Trip Report' satisfy the requirements of the definition of 'log book records'?

46. Subsection 136(1) of the FBTA defines 'log book records' as:

log book records, in relation to a car held by a person (in this definition called the **holder**), in relation to a period, means a daily log book or similar document in which, in respect of each business journey:

- (a) that is undertaken in the car during the period; and
- (b) that the holder, or a person acting on behalf of the holder, chooses to record in the document for the purpose of demonstrating the pattern of use of the car during the period;

an entry setting out particulars of:

- (c) the date on which the journey began and the date on which it ended; and
- (d) the respective odometer readings of the car at the beginning and end of the journey; and
- (e) the number of kilometres travelled by the car in the course of the journey; and
- (f) the purpose or purposes of the journey;
- (g) (Omitted by No 145 of 1995)
- (h) (Omitted by No 145 of 1995)
- (i) (Omitted by No 145 of 1995)

is made in the English language at, or as soon as reasonably practicable after, the end of the journey.

47. Paragraph (c) of the definition of 'log book records' requires each entry to detail the dates on which the journeys began and ended. This requirement is met by the Smartrak System 'Logbook Trip Report'.

48. Paragraph (d) of the definition of 'log book records' in subsection 136(1) requires the respective odometer readings of the car at the beginning and the end of the journey to be entered into the relevant records.

49. The term 'odometer' is not defined in either the FBTAA or the ITAA 1997 but the *Macquarie Dictionary*, online edition, defines that term as being 'an instrument for measuring distance passed over, as by a motor vehicle'.

50. However, the term 'odometer records', as defined in subsection 136(1) makes reference to 'odometer readings of the car'. In this regard, it is concluded that, whilst odometer readings must pertain to the car, it does not necessarily mean that they must also be attributable either wholly or in part to the rotation of the car's wheels, thereby mechanically moving the standard odometer fitted in the car by the manufacturer.

51. Provided the device used to determine the car's odometer readings is of sufficient integrity it can be accepted that a system other than the car's own odometer may meet the FBTAA legislative requirements.

52. Each time the car is driven, the start and end odometer readings for the journey are calculated by the Smartrak System from the GPS. It is accepted that the opening and closing odometer readings calculated by the Smartrak System are of sufficient integrity to be 'odometer readings of the car'.

53. It is considered that the opening and closing odometer readings for each car journey detailed on the Smartrak System 'Logbook Trip Report' satisfies the requirements of paragraph (d) of the definition of 'log book records' in subsection 136(1).

54. Paragraph (f) of the definition of log book records requires the purpose or purposes of the journey to be recorded. This requirement is met as the user is able to input the purpose of a journey at the start of the journey through the booking system which is part of the Pool Booking Module. The business use or private use details for the journey can be captured by the system using the following key fields:

- reason for travel
- private/business flag
- purpose of journey.

However, it is necessary that the reason recorded for each business journey is sufficiently descriptive so as to enable the journey to be classified as a business journey.

55. It is considered that the 'Logbook Trip Report' provided by the Smartrak System meets the necessary requirement of being a 'daily log book or similar document' and also meets the necessary requirement of having the relevant entries 'made in the English language at, or as soon as practical after, the end of the journey'.

56. It is expected that the relevant entries (for example purpose of journey) will be made the same day the car journey was undertaken, it is accepted that there may be occasions on which it is not practical to enter this information at the start of the journey. In such a situation, the purpose of the journey can be entered at a later time, provided this occurs within a week of the journey occurring, it will be accepted that the entry was made as soon as practical after the end of the journey.

57. It is accepted, in the absence of evidence to the contrary in a particular case, that all employers using the Smartrak System 'Logbook Trip Report' in relation to any car fringe benefits they provide will maintain the necessary records for the duration of the 'applicable log book period' (as that latter term is defined in subsection 162H(1)).

58. The Smartrak System 'Logbook Trip Report' will satisfy all the relevant requirements of the definition of 'log book records' as defined in subsection 136(1) provided:

- the report is for an applicable log book period
- the purpose of the journey is sufficiently descriptive to enable the journey to be classified as a business journey, and
- the purpose of the journey classified as being a business journey is entered within a week of the journey occurring.

Does the Smartrak System 'Logbook Trip Report' satisfy the requirements of the definition of 'odometer records'?

59. The term 'odometer records' is defined in subsection 136(1) as follows:

odometer records , in relation to a car, in relation to a period, means a document in which particulars of:

- (a) the odometer reading of the car at the commencement of the period; and
- (b) the odometer reading of the car at the end of the period; and
- (c) ...
- (d) (Omitted by No 145 of 1995)
- (e) (Omitted by No 145 of 1995)

are entered in the English language, at, or as soon as reasonably practicable after, the respective times to which those odometer readings relate.

60. The definition of 'odometer records' in subsection 136(1), requires that odometer readings be recorded in relation to both the 'commencement of the period' and at the 'end of the period'.

61. The Smartrak System 'Logbook Trip Report' provides details of the odometer reading for the car at the start of the first recorded journey and also the odometer reading for the car at the end of the last recorded journey that were undertaken during each report period.

62. As stated previously (at paragraph 57), it is accepted, in the absence of evidence to the contrary in a particular case, that all employers using the Smartrak System will maintain the necessary records for the 'applicable log book period'.

63. It was determined previously (at paragraph 55) that a Smartrak System 'Logbook Trip Report' meets the necessary requirement of having entries 'made in the English language at, or as soon as reasonably practicable after, the end of the journey'.

64. Therefore, the Smartrak System 'Logbook Trip Report' satisfies all the relevant requirements of the definition of 'odometer records' as defined in subsection 136(1).

Conclusion on whether the Smartrak System 'Logbook Trip Report' meets the relevant requirements of section 10A

65. The Smartrak System 'Logbook Trip Reports' will satisfy the requirements as 'log book records' for the purposes of section 10A provided:

- the report is for an applicable log book period
- the purpose of the journey is sufficiently descriptive to enable the journey to be classified as a business journey, and

- the purpose of the journey classified as being a business journey is entered within a week of the journey occurring.

66. As determined in paragraphs 59-64, the 'Logbook Trip Reports' will also satisfy the requirements of 'odometer records' for the purposes of paragraph (a) of section 10A.

67. It is also accepted, in the absence of any evidence to the contrary in a particular case, that all remaining applicable requirements of section 10A will be met by employers using the Smartrak System 'Logbook Trip Report'.

68. An employer using the Smartrak System 'Logbook Trip Report' is, consequently, entitled to a reduction of the operating costs of a car on account of business journeys, in a log book year of tax, under section 10A provided:

- the report is for an applicable log book period
- the purpose of the journey is sufficiently descriptive to enable the journey to be classified as a business journey, and
- the purpose of any journey classified as being a business journey is entered within a week of the journey occurring.

Does the Smartrak System 'Logbook Trip Report' meet the relevant requirements of section 10B?

69. Section 10B states:

SECTION 10B

10B NO REDUCTION OF OPERATING COST IN A NON-LOG BOOK YEAR OF TAX UNLESS LOG BOOK RECORDS AND ODOMETER RECORDS ARE MAINTAINED IN LOG BOOK YEAR OF TAX

Where one or more car fringe benefits in relation to an employer in relation to a year of tax relate to a car while it was held by a particular person (in this section called the '**provider**') during a particular period (in this section called the '**holding period**') in a year of tax that is not a log book year of tax of the employer in relation to the car, the employer is entitled to a reduction in the operating cost of the car on account of business journeys undertaken during the holding period in the car if, and only if:

- (a) odometer records are maintained by or on behalf of the provider in relation to the car for the holding period and, if the provider is not the employer, are given to the employer before the declaration date; and
- (b) the employer specifies the employer's estimate of the number of business kilometres travelled by the car in the holding period; and

- (c) the employer specifies the business use percentage applicable to the car in relation to the provider for the holding period.

70. As determined previously (at paragraph 64) the Smartrak System 'Logbook Trip Report' will satisfy the definition of the term 'odometer records' in subsection 136(1). For similar reasons, it is considered that the Smartrak System 'Logbook Trip Report' will be 'odometer records' for the purposes of paragraph (a) of section 10B.

71. It is also accepted, in the absence of any evidence to the contrary in a particular case, that all remaining requirements of section 10B will be met by employers using the Smartrak System 'Logbook Trip Report'.

Conclusion on whether the Smartrak System 'Logbook Trip Report' meets the relevant requirements of section 10B

72. An employer using the Smartrak System 'Logbook Trip Report' is, consequently, entitled to a reduction of the operating costs of a car on account of business journeys, in a non-log book year of tax, as the Smartrak System 'Logbook Trip Report' meets the relevant requirements of section 10B.

Claiming a deduction for car expenses

73. Division 28 of the ITAA 1997 sets out the rules for working out a deduction for a car expense if you own or lease a car or hire a car under a hire purchase agreement.

74. Section 28-10 states that Division 28 applies to an individual and also applies to a partnership that includes at least one individual.

75. Section 28-12 states the following regarding car expenses:

28-12 Car expenses

- (1) If you owned or leased a *car, you can deduct for the car's expenses an amount or amounts worked out using one of 2 methods.

Note 1: For particular types of cars taken on hire you cannot use one of the 2 methods: see section 28-165.

Note 2: In certain circumstances the lessee of a luxury car is taken to be its owner (see subsection 242-15(2)).

Note 3: In certain circumstances (for example, under a hire purchase agreement) the notional buyer of property is taken to be its owner (see subsection 240-20(2)).

- (2) You must use one of the 2 methods unless an exception applies. If you can't use any of the methods, you can't deduct anything for the *car expenses.

76. Therefore, to claim a deduction for car expenses you must choose one of two methods for working out the relevant amount (unless an exception applies) and if you can't use any of the two methods you can't deduct anything for car expenses.

77. Section 28-15 sets out the two methods that can be used for working out a deduction for car expenses and states that some of the methods have eligibility requirements. One of the available methods described in section 28-15 is the 'log book' method.

Does the Smartrak System 'Logbook Trip Report' satisfy the requirements for keeping a log book?

78. Division 28 of the ITAA 1997 provides two methods that can be used by an individual or alternatively by a partnership (that includes at least one individual) to calculate the amount of the income tax deduction that can be claimed for car expenses.

79. One of the methods is the 'log book' method which is contained in Subdivision 28-F of the ITAA 1997. To be able to use this method, the substantiation requirements set out in section 28-100 of the ITAA 1997 must be met.

80. Section 28-100 of the ITAA 1997 requires:

- the car expenses to be substantiated in accordance with Subdivision 900-C of the ITAA 1997
- a log book to be kept in accordance with Subdivision 28-G of the ITAA 1997
- odometer records to be kept in accordance with the requirements in Subdivision 28-H of the ITAA 1997 for the period of the year for which the car was held
- an estimate to be made of the number of business kilometres and the business use percentage, and
- the log book and odometer records to be retained.

81. For the purpose of this Ruling it is only necessary to consider the second of these requirements.

Log book requirements in Subdivision 28-G of the ITAA 1997

82. Section 28-115 of the ITAA 1997 sets out the circumstances in which a log book will need to be kept. The circumstances include the making of a decision to keep a log book in a year in which it is not otherwise required to be kept.

83. In using the Smartrak System to record the details of journeys undertaken in a particular year a Smartrak System customer will be taken to have chosen to keep a log book for the year.

84. Section 28-120 of the ITAA 1997 requires the log book to cover a continuous period of 12 weeks, unless the car is held for less than 12 weeks. If the car is held for less than 12 weeks, the log book must be kept for the period for which the car was held.

85. Section 28-125 of the ITAA 1997 sets out the way in which a log book is to be kept. Section 28-125 states:

28-125 How to keep a log book

- (1) It is in your interests to record in the log book any journey made in the *car during the log book period in the course of producing your assessable income. If a journey is not recorded, the log book will indicate a lower *business use percentage than is actually the case.
- (2) A journey is recorded by making in the log book an entry specifying:
 - (a) the day the journey began and the day it ended;
 - (b) the *car's odometer readings at the start and end of the journey;
 - (c) how many kilometres the car travelled on the journey;
 - (d) why the journey was made.

The record must be made at the end of the journey or as soon as possible afterwards.

- (3) If 2 or more journeys in a row are made in the *car on the same day in the course of producing your assessable income, they can be recorded as a single journey.
- (4) The following must be entered in the log book:
 - (a) when the log book period begins and ends;
 - (b) the *car's odometer readings at the start and the end of the period;
 - (c) the total number of kilometres that the car travelled during the period;
 - (d) the number of kilometres that the car travelled, in the course of producing your assessable income, on journeys recorded in the log book;
 - (e) the number of kilometres referred to in paragraph (d), expressed as a percentage of the total number referred to in paragraph (c).

Each of the entries must be made at or as soon as possible after the start or end of the period, as appropriate.

- (5) Each entry in the log book must be in English.

86. In considering these conditions, the Smartrak System records data for each trip undertaken in the car. Therefore, it complies with subsection 28-125(1) of the ITAA 1997. The requirements of subsection 28-125(2) of the ITAA 1997 are considered below.

The day the journey began and the day it ended

87. Paragraph 28-125(2)(a) of the ITAA 1997 requires the day the journey began and the day it ended to be entered for each journey. This requirement is met as the Smartrak System 'Logbook Trip Report' provides details of the time and date on which each business journey began and ended.

The car's odometer readings at the start and end of the journey

88. Paragraph 28-125(2)(b) of the ITAA 1997 requires the car's odometer readings at the start and end of each journey to be recorded. As discussed at paragraphs 48-53 of this Ruling in relation to paragraph (d) of the definition of 'log book records' in subsection 136(1) of the FBTAA, the odometer readings detailed in the Smartrak System 'Logbook Trip Report' will be accepted as being the odometer readings for the start and end of each journey.

How many kilometres the car travelled on the journey

89. Paragraph 28-125(2)(c) of the ITAA 1997 requires the number of kilometres travelled by the car in the course of each business journey to be shown. This requirement is met as the Smartrak System 'Logbook Trip Report' shows the total number of kilometres travelled during each trip.

Why the journey was made

90. Paragraph 28-125(2)(d) of the ITAA 1997 requires the reason for the journey to be shown. As discussed at paragraph 54 of this Ruling the user is able to input the purpose of a journey at the start of the journey using the booking system which is part of the Pool Booking Module. Therefore, this requirement will be met if the reason that is input for the journey is sufficiently descriptive to enable the journey to be classified as a business journey.

The record must be made at the end of the journey or as soon as possible afterwards

91. In addition, subsection 28-125(2) of the ITAA 1997 requires the entries to be made at, or as soon as possible after the end of the journey. As discussed at paragraph 54 of this Ruling, provided the driver enters the purpose of each journey at the start of the journey, or at least on a weekly basis, it is accepted that the entries were made as soon as practicable after the end of the journey.

Details to be entered into the log book

92. Subsection 28-125(4) of the ITAA 1997 requires the following details to be entered into the log book:

- the date on which the log book period begins and ends
- the car's odometer readings at the start and end of the period
- the total number of kilometres that the car travelled in the period
- the number of kilometres that the car travelled in the course of producing assessable income on journeys recorded in the log book, and
- the number of kilometres that the car travelled in the course of producing assessable income as a percentage of the total number of kilometres travelled during the period.

93. The Smartrak System 'Logbook Trip Report' in isolation will not satisfy each of these requirements. However, the 'Logbook Trip Report' and the 'Logbook Vehicle Summary Report' read together, will satisfy each of these requirements as it provides:

- the start and end dates of the log book period
- the car's odometer readings at the start and finish of the period
- the total number of kilometres travelled by the car during the period
- the total number of kilometres that the car travelled in the course of producing assessable income during the period, and
- the number of kilometres travelled in the course of producing assessable income as a percentage of the total number of kilometres travelled during the period.

Note: that both private and business kilometres travelled are included in the 'Log Book Trip Report'. The percentage is included in the 'Logbook Vehicle Summary Report.'

Entries to be made at or as soon as possible after the start or the end of the period, as appropriate, and in the English language

94. In addition, subsection 28-125(4) of the ITAA 1997 requires each of the entries to be made at, or as soon as possible after the start or end of the period as appropriate and subsection 28-125(5) of the ITAA 1997 requires each entry to be in English.

95. It is expected that the relevant entries will be made the same day the car journey was undertaken. However, there may be occasions on which it is not practical to enter this information at the end of the journey. Provided the purpose of each journey is recorded on at least a weekly basis, it will be accepted that the entries were made as soon as practical after the end of the journey.

96. The requirement at subsection 28-125(5) of the ITAA 1997 is met as the entries are recorded in English.

Conclusion on whether the Smartrak System 'Logbook Trip Report' satisfies the requirements of section 28-125 of the ITAA 1997

97. The Smartrak System 'Logbook Trip Report' will satisfy the requirements for keeping a log book as set out in section 28-125 of the ITAA 1997 provided:

- the report is for the period specified in section 28-120 of the ITAA 1997
- the 'Logbook Vehicle Summary Report' forms part of the 'Log book Trip Report', and
- the purpose of any journey classified as being a business journey is entered within a week of the journey occurring and is sufficiently descriptive to enable the journey to be classified as a business journey.

Does the Smartrak System 'Logbook Trip Report' satisfy the requirements for keeping car odometer readings at the start and end of the journey?

98. Under section 28-110 of the ITAA1997, for the first year in which car expenses are claimed using the log book method, the log book must be kept for a minimum continuous period of at least 12 weeks at any time in the income year.

99. Additionally, in a 'non-log book' year the relevant 'period' is the period the person held the car during the relevant income year.

100. It is a requirement in paragraph 28-125(4)(b) that entries are made of the car's odometer readings at the start and end of the period. Therefore, car odometer readings must be kept for the start and end of the relevant 12 week period.

101. Further, section 28-135 states that Subdivision 28-H sets out how to keep odometer records for a car during a particular period. Section 28-140 is the operative provision that sets out how to keep odometer records for a car for a period. Section 28-140 states:

SECTION 28-140 How to keep odometer records for a car for a period**28-140(1)**

Odometer records for a period are kept in the form of a document in which the following are entered:

- (a) the *car's odometer readings at the start and the end of the period;
- (b) ...

28-140(2)

Each entry under subsection (1) must be in English and must be made at or as soon as possible after the start or end of the period, or the end of the specified day, as appropriate.

102. As the Smartrak System 'Logbook Trip Report' is capable of producing the opening and closing odometer readings for each car journey during the applicable log book period, it is also capable of producing odometer readings at the start and end of the log book 12 week period.

103. Therefore, it is accepted that Smartrak System 'Logbook Trip Report' is capable of satisfying the requirements of paragraph 28-140.

Conclusion on whether the Smartrak 'Logbook Trip Report' satisfies the requirements for keeping odometer records for the start and end of the period?

104. As the Smartrak System 'Logbook Trip Report' is capable of meeting the requirements of paragraph 28-140(1)(a) this means that section 28-140 is capable of being met provided all remaining requirements of that section are also met by users of the Smartrak System 'Logbook Trip Report.'

105. Therefore, in the absence of any evidence to the contrary in a particular case, the Smartrak System 'Logbook Trip Report' satisfies the requirements for keeping odometer records for a period for the purposes of section 28-140.

Appendix 2 – Detailed contents list

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