



HOW TO MINIMISE FRINGE BENEFIT TAX ACROSS YOUR FLEET

REDUCING COST AND COMPLEXITY WITH ELECTRONIC LOGBOOKS



FRINGE BENEFIT TAX & YOUR FLEET

Gradual changes to Fringe Benefit Tax (FBT) over the past four years have had serious cost implications for your business. FBT is paid on all work vehicles that are also made available for private use. This includes cars, station wagons, SUVs, utility vehicles, panel vans, people movers and some mini buses. Vehicles designed to carry in excess of a ton or more than nine passengers are exempt.

FBT LIABILITY CAN BE DETERMINED IN ONE OF TWO WAYS:



- Keeping a logbook to track operating cost for each vehicle



- Using a standard calculation known as statutory fraction

Keeping a manual logbook has always been an onerous task so many businesses have historically relied on statutory fraction. Yet this has become an unnecessary burden since the Henry Tax Review introduced a flat rate of 20 per cent, which was phased in gradually over three years starting in 2011. This meant FBT effectively trebled for a vehicle travelling more than 40,000 kilometres a year.

Apart from people and buildings, a fleet of vehicles is typically the largest cost in your business. It's also your most addressable cost and yet for many companies it's neither measured nor managed.



STATUTORY FRACTION VERSUS OPERATING COST

THIS CAR IS VALUED AT \$35,000



26,000
KILOMETRES
PER YEAR

FUEL = \$3276*

MAINTENANCE
AND REPAIRS
= \$1000

INSURANCE
= \$750

REGISTRATION
= \$750

*9 litres of fuel per 100 kilometres @ \$1.40 per litre

STATUTORY FRACTION

YEAR	STATUTORY FRACTION	BASE VALUE	PRIVATE USE	TAXABLE VALUE	FBT PAID
1	20%	\$35,000	100%	\$7000	\$6720
2	20%	\$35,000	100%	\$7000	\$6720
3	20%	\$35,000	100%	\$7000	\$6720
TOTAL					\$20,160

OPERATING COST

YEAR	OPERATING COST	LEASE COST	PRIVATE USE	TAXABLE VALUE	FBT PAID
1	\$5776	\$40,776	10%	\$4077	\$3914
2	\$5776	\$40,776	10%	\$4077	\$3914
3	\$5776	\$40,776	10%	\$4077	\$3914
TOTAL					\$11,742

OPERATING COST REDUCES FRINGE BENEFIT TAX LIABILITY BY 42%
THIS COMES TO \$8418 OVER THREE YEARS OR \$2806 PER YEAR



TAKING THE PAIN OUT OF MANAGING LOGBOOKS

Many businesses have been reluctant to use the operating cost model because manual logbooks are labour-intensive and often inaccurate. Yet using the Navman Wireless electronic logbook, which has been approved by the Australian Taxation Office, it's easy to collect the data you need to make an accurate claim.

Here's how it works:

- As soon as a driver starts a vehicle, they have to identify themselves using a pin number
- They select the purpose of their trip from categories like 'going to the office' or 'visiting a client'
- The logbook entry is now complete and gets fed into an FBT report at the end of the journey
- This is captured digitally in real time so nobody has to waste time typing out manual entries

Using the Navman Wireless logbook makes it easy to collect, assess and process information to prove business and private usage. Clearly establishing maximum business use over any given three-month period minimises FBT liability.

Knowing the data is accurate also removes the fear of voided logbooks. ATO technology systems correlate vehicle logbooks against road tolls and car parks. If you mistakenly record that a vehicle wasn't used on a certain day, the ATO will void your logbook and default to 100 per cent private use. For a \$35,000 vehicle that does more than 25,000 kilometres a year you're going to pay almost \$40,000 in taxes over a three-year lease period. That's more than the value of the vehicle.

BENEFITS OF USING ELECTRONIC LOGBOOKS

- Approved by the Australian Taxation Office
- Accurate data minimises FBT liability
- Greater visibility of fleet utilisation
- Detailed understanding of operating costs
- Reduce back-office administration costs
- Eliminate hassle of managing paper logbooks



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