

ALERT

17 JULY 2013

Government announces changes to FBT on cars

Under the current car fringe benefits rules, a fringe benefit arises when an employee is provided with a car for private use. The fringe benefit is valued using either the 'operating cost' (or log book) method or the 'statutory formula' method (the cost of the car multiplied by 20%, regardless of actual personal use of the car).

On 16 July 2013, the federal government announced that it will remove the statutory formula method for calculating both salary-sacrificed and employer-provided car fringe benefits from 1 April 2014.

The change affects all new contracts entered into from today, 17 July 2013. Existing contracts materially varied after the announcement will also fall under the new arrangements.

Existing contracts not varied will continue to have access to the existing statutory rate throughout the life of the contract.

According to the government's fact sheet, the statutory formula provided a significant tax concession for taxpayers using their car fringe benefit mainly for private travel because it assumed that a significant proportion of the use would be for business purposes, whereas the operating cost method 'ensures an appropriate amount of tax is paid on the private benefit' (since it is based on the actual business use of the car).

In its statement, the government suggested that some two-thirds of employees who salary sacrifice a vehicle earn more than \$100,000 and that a 'tax subsidy for the private use of a car is no longer justified or appropriate'. It maintains that advances in technology mean it will now be much easier for an employee to log their personal use of their vehicle than it was when the rules were originally introduced.

Want to republish any of this article?

If you would like to republish any part of this article in your staff newsletter or elsewhere please contact our Marketing team on **+61 3 9608 2168**

Disclaimer

This article is intended to provide general information on legal issues and should not be relied upon as a substitute for specific legal or other professional advice.



To discuss how this will impact your workforce or for further information, please contact:

Louise Houlihan, Partner

Phone (direct) **+61 3 9608 2273**

Mobile **+61 409 835 809**

Email **L.houlihan@cornwalls.com.au**