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ATO's TOUGHER STANCE ON WORK VEHICLES 'NEEDS ATTENTION'

The ATO's recently revised guidance on Fringe Benefits Tax (FBT) will require clients to be more careful with their private usage of work vehicles, as part of a broader clamp down on work-related expenses.

Practical Compliance Guideline: Exempt car benefits and exempt residual benefits: compliance approach to determining private use of vehicles can be accessed [here](#) for your records.

The law as it relates to FBT on work-related vehicles remains the same but this guidance is a change in the published interpretation of the way existing rules operate.

This law has always been about minor, infrequent travel for work vehicles, but this guidance puts the onus very much on the employer to prove that work cars are not used as a perk to retain and attract staff. The new guidelines provide clarity around what the tax office expects employers to do in demonstrating the private use of work vehicles is minor, infrequent and irregular.

The ATO's guidelines now suggest that a vehicle's private use cannot exceed 1000 kilometres in a year, and no return journey can exceed 200 kilometres. While home to work travel is generally not considered private for these vehicles, according to these new guidelines, any trip in which a home to work route varies by more than 2 kilometres will be considered a personal trip.

The ATO is delivering a clear warning to employers to make sure they have a policy on work-related travel and to make sure they enforce it. The increasing sophistication of the ATO's tracking methods will mean that there will be many employers out there who are at risk of an unforeseen tax bill. It will create an uneven playing field and one that is going to mean a big mind shift for employers who, for many years, have turned a blind eye to FBT. It will also mean that some of them will no longer be able to dangle the carrot of a work-related vehicle to attract staff. Employers need to make sure they have a policy on work-related vehicles that they can monitor how it is enforced.

This is one of the latest moves in the ATO's resolve to [crack down on work-related expenses](#), which it says is central to the [\\$8.7 billion individual tax gap](#).

This article was extracted from https://www.accountantsdaily.com.au/tax-compliance/11905-ato-s-tougher-stance-on-work-vehicles-need-attention?utm_source=whatsapp

'WAKE-UP CALL' TO BOSSES UTES ARE NOT A TAX-FREE PERKS FOR STAFF ON WEEKENDS

Tradies and others who get vehicles such as utes as salary-packaged benefits may find their bosses take away those perks following recent revised guidance from the Australian Taxation Office (ATO).

In early July the tax office revealed dodgy work expense claims are a major contributor to what the agency estimates may be [\\$8.7 billion of uncollected tax each year](#), and in the same week also finalised its stance on guidelines around Fringe Benefits Tax (FBT) on work vehicles.



The ATO allows up to 1000 kilometres of private travel in company cars each year, as long as no single return journey exceeds 200 kilometres.

For some time, ATO guidelines have allowed "minor, infrequent and irregular" private use of these vehicles but the ATO's new guidance which will apply for the 2019 FBT year and onwards, clarifies what "minor, infrequent and irregular" private use is.

It allows up to 1000 kilometres of private travel in company cars each year, as long as no single return journey exceeds 200 kilometres. This revised guidance could result in employers paying a lot more tax or offering fewer perks to attract new employees. The ATO does not collect data on how many utes are being claimed under the FBT exemption but its annual report states it collected \$4.4 billion in total FBT in 2016-17. Stopping at the grocery store, or to pick up children from school or sports training, may no longer be allowed under the new rules.

Failing to comply may result in a 20 per cent FBT impost on the cost of the vehicle. This means for example the FBT payable on a Toyota HiLux 4x4 SR5 double cab pick-up ute valued at \$54,990 would be \$10,753 per annum. This change requires a big mind shift for employers who, for many years, have turned a blind eye to FBT.



‘WAKE-UP CALL’ TO BOSSES UTES ARE NOT A TAX-FREE PERKS FOR STAFF ON WEEKENDS

Institute of Public Accountants tax expert Tony Greco said the ATO could in future undertake a “compliance blitz” to make sure the rules were being followed correctly. Concessional FBT treatment might in part explain why Toyota Hi-Lux and Ford Ranger four-door utes are two of the biggest selling vehicles in Australia as they double as a family vehicle on the weekend and a work ute during the week,” he said.

But now, if you live more than 1000 kilometres away from your employer, the car cost is no longer FBT exempt. Mr Greco said it was a wake-up call to employers. “The onus is on employers to re-establish the rules with employees,” he said.

But an ATO spokeswoman said while the revised guidance was aimed at helping employers, where the agency identifies cases of non-compliance, “we will work with employers to help them get it right”. “We currently have an FBT engagement program in place which includes significant communication and education components to assist and inform employers about their FBT obligations,” she said. The ATO does not collect data on how many utes are being claimed under the FBT exemption but its annual report states it collected \$4.4 billion in total FBT in 2016-17.

Elizabeth Lucas, partner and head of national specialist tax at Grant Thornton said it was unlikely lots of employers would take away utes as perks. “There are a huge number of employees and employers relying on this FBT exemption,” she said.

This article was extracted from <https://www.smh.com.au/business/the-economy/wake-up-call-to-bosses-utes-no-tax-free-perk-for-staff-on-weekends-20180720-p4zsqe.html>

ATO Guidelines – Exempt car benefits and exempt residual benefits: Compliance approach to determining private use of vehicles.

Please see the link below to view more details about this new guideline and when it will take place
<https://www.ato.gov.au/law/view/document?DocID=COG/PCG20183/NAT/ATO/00001&PiT=99991231235958>

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