

Fact Sheet

Salary packaging and company provided vehicles

Introduction

This AccessPay Fact Sheet is intended to provide guidance to employees about salary packaging whilst provided with a company vehicle. Your employer's vehicle policy may differ from the information provided in this fact sheet.

If you are provided with a company vehicle, your salary packaging arrangements will ordinarily be impacted as the provision of a company vehicle is considered a car fringe benefit by the ATO, which contributes to the General Living Expenses annual cap. Your General Living Expense arrangements and car fringe benefit value must remain within the applicable annual cap (i.e. \$30,000 or \$17,000) so you do not incur an FBT liability in your salary packaging account. AccessPay will manage this process in conjunction with your employer's vehicle policy.

Salary packaging with a company vehicle

Your existing salary packaging arrangements will be impacted by a company provided vehicle, subject to your employer's vehicle policy. Although you will no longer be able to package the full General Living Expense amount (i.e. \$15,900 or \$9,010), you can still package a reduced amount to your General Living Expenses. This amount is dependent on several factors, such as the purchase price of the vehicle and the calculation method utilised by your employer to value car fringe benefits.

The difference between the maximum salary packaging amount without a vehicle and what you are able to package with the vehicle is no longer sent to AccessPay, and instead will form part of your regular taxable salary (paid to you after-tax via payroll). This amount is **not** kept as an FBT payment for your vehicle.

Please note that though your private use may be restricted by your employer, the vehicle will still impact on your salary packaging arrangements.

Example 1 – Car 'deemed' to be available for private use

Sally is required to take a car home overnight because her employer is not able to safely store the vehicle on business premises. Sally is not able to use the vehicle for any private use other than between home and her regular place of work.

As the vehicle is garaged at Sally's home overnight, and she has custody and control of the keys, the vehicle is 'deemed' to be available for private use, and so a car fringe benefit will arise.

In Example 2, though Kate's salary packaging has been adjusted, she still receives a substantial tax saving, while having access to a company provided vehicle.

Example 2: Salary packaging reduction with company vehicle

Employee without company provided vehicle

Kate works for a \$30,000 exempt Public Benevolent Institution and salary packages, but does not have a company provided vehicle. Her only income is a salary of \$50,000 per annum. Kate is able to salary package \$15,900 per annum, and her disposable income is approximately \$46,742 per annum.

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Employee with company provided vehicle

Lisa also works for a Public Benevolent Institution, salary packages, and her salary is also \$50,000 per annum. Lisa is provided with a company vehicle by her employer with a base value of \$25,000.

Her employer's policy is that salary packaging is reduced so that no FBT is payable on Lisa's car. Because of this, the amount Lisa is able to salary package is reduced to \$10,387 per annum, and as a result, her disposable income is approximately \$45,192 per annum, while also having use of a company provided vehicle.

The reduction in disposable income as a result of the company provided vehicle is approximately \$1,550 per annum, or \$59.62 per fortnight.

The above example does not include any contributions you may be required to make to your employer as part of their vehicle policy.

Example 3: Fortnightly packaging comparison

Peter works for a \$30,000 exempt PBI organisation, earns \$80,000 per year and salary packages. If Peter is given the option of being provided with a company vehicle with a base value of \$35,000.

A comparison of Peter's fortnightly salary packaging arrangements are:

| | Salary Packaging – No Car | Salary Packaging – With Car |
|--------------------------------|------------------------------|--------------------------------|
| Gross Wage | \$3076.92 | \$3076.92 |
| Salary Packaging | \$611.54 | \$335.92 |
| Taxable Wage | \$2,465.38 | \$2,741.00 |
| Income Tax (inc Medicare Levy) | \$523.93 | \$620.53 |
| Add Packaged Funds | \$611.54 | \$314.69 |
| Disposable Income | \$2,552.96 | \$2,437.16 |
| Difference | | \$115.80 |

The overall difference to Peter's disposable income is approximately \$115 per fortnight.

Employee vehicle contributions

Some employers may require you to make a contribution to your vehicle out of your salary each fortnight. This amount will be set by your organisation's vehicle policy (AccessPay is not involved in this calculation). These deduction can be either from your pre-tax or post-tax salary.

- If deductions are made by your payroll for the vehicle pre-tax, this will have no effect on the vehicle's Fringe Benefit Value, and therefore won't impact on your packaging.
- If deductions are made by your payroll for the vehicle post-tax, this may reduce the vehicle's Fringe Benefit Value, and so allow you to salary package a higher amount.

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Logbooks

Your employer may require you to keep a logbook for your vehicle that details the business and private use. For more information on what information is required for a valid logbook, please refer to our Fact Sheet on Logbooks.

Frequently Asked Questions

➤ **I have a ute – can I still package the maximum amount as this is exempt?**

If your company provided vehicle is a commercial vehicle, it may be classified as exempt under strict conditions. Generally, provision of the vehicle to you by your employer is still a fringe benefit, and therefore your salary packaging will need to be reduced.

➤ **My salary packaging has been reduced from \$611.54 to \$400.00 per fortnight due to receiving a company provided vehicle. Does this mean the vehicle is costing me over \$200 per fortnight?**

No, the difference between your previous and new packaging amounts is not the impact to your disposable income. The \$211.54 that you are no longer able to salary package becomes part of your taxable salary, and the overall difference to your disposable income is the tax on this amount.

➤ **How much is the FBT on my vehicle?**

As your salary packaging is reduced when you receive a company vehicle, there is no FBT payable as long as your account remains below the applicable annual cap. AccessPay monitor this each quarter by requesting vehicle data from your employer. Where your employer elects to meet the FBT liability for your vehicle (and allow you to salary package a greater amount) the FBT is communicated to your employer at the end of the FBT Year.

➤ **My vehicle is a pool car; I only drive it from home to work. Why is my packaging reduced?**

Under ATO legislation, as you are taking the vehicle home, it is deemed available for private use by the ATO (even if this is restricted by your employer's policy), and therefore is classified a car fringe benefit. Your salary packaging arrangements must be adjusted to allow for the vehicle's Fringe Benefit Value in your annual cap.

➤ **As I use my company vehicle for business use, am I able to claim income tax deductions for expenses associated with the vehicle?**

No, any expenses associated with a company provided vehicle are not able to be claimed as income tax deductions.

Please note: Information, advice or guidance provided in this fact sheet, is general in nature and provided without reference to your organisation policies or your circumstances. It is not and should not be considered to be organisational or personal advice to you. Please contact your accountant, tax agent or legal adviser to determine how the information in this fact sheet may apply to your circumstances. Alternatively you can contact AccessPay with any queries about how the information in this fact sheet may apply to your circumstances.