

WORKHORSE VEHICLES



ATO's safe harbour provisions

Workhorse vehicles are generally exempt from the car fringe benefit rules, provided the private use of that vehicle is restricted to only minor, infrequent and irregular use. For example, dropping off / picking up children to school on the way to / from work. Where the private use is more than minor, infrequent and irregular a residual fringe benefit has been provided and there is a different method to work how much FBT is payable.

A workhorse vehicle is a panel van, utility (ute) or other commercial vehicle (that is, one not designed principally to carry passengers) such as a dual cab ute with a carrying capacity of more than one tonne.

SAFE HARBOUR NEW PROVISIONS

A couple of years ago the ATO released some safe harbour provisions that if you can satisfy, you will be safe in the event of an FBT audit.

The safe harbour provisions will apply when:

- a. An employer provides an eligible vehicle to a current employee;
- b. The vehicle is provided to the employee to perform their work duties (e.g., a utility truck provided to a delivery driver or a panel van to a tradesperson);
- c. An employer takes all reasonable steps to limit private use of the vehicle and have measures in place to monitor such use;
- d. The vehicle has no non-business accessories (e.g., 4x4 winch not needed for work purposes);
- e. The vehicle had a GST-inclusive value less than the luxury car tax threshold at the time the vehicle was acquired (the luxury car limit for the 2021 income year is \$68,740 – please note this is different to the income tax depreciation limit); and
- f. The vehicle is not provided as part of a salary packaging arrangement and the employee cannot elect to receive additional remuneration in lieu of the use of the vehicle.

It is important for employers to understand that they **must satisfy each of the requirements highlighted above on a per-car basis for the safe harbour guidelines to apply**. It is therefore possible for an employer to be entitled to apply the safe harbour guidelines in relation to some eligible vehicles held in their feet, whilst other vehicles will be ineligible for the concessions contained within PCG 2018/3.

An employee's private use of an eligible vehicle will be regarded as 'minor, infrequent and irregular' for the purposes of the FBT exemptions contained under S.8(2) and S.47, where the private use of the employee (and/or their associate) is limited to the following:

- Any diversions for private travel between the employee's home and their place of work and these journeys add no more than two kilometres to the ordinary length of that trip (e.g., dropping children off at school on the way to work);
- No more than 750 kilometres in total for each FBT year are taken for a wholly private purpose (i.e., multiple journeys); and
- No single, return journey undertaken by the employee that is wholly private purpose exceeds 200 kilometres.

Clearly the above provisions only allow for a very small amount of private use. Many employers will have employees that fall outside these guidelines. This is not necessarily a sign that those employers will now be subject to FBT. It just means that the safe harbour provisions cannot be applied in those circumstances and the old interpretation of workhorse vehicles will need to be applied.

HAVE ANY QUESTIONS?

Then please call us.

Maggs Reid Stewart Pty Ltd
Suite 5 651 Canterbury Road
Surrey Hills Victoria 3127
T 03 9899 7511
E accountants@mrsaccountants.com.au

