



Take full advantage
PACK FACT

BUDGETING YOUR ANNUAL DISTANCE TRAVELLED

To estimate/budget your annual distance travelled, work out your average daily driving habits and multiply this by 365 days.

Example: If on average you drive 85km per day, your annual budget should be:
 $85\text{km} \times 365 \text{ days} = 31,025\text{km}$ (25,000km – 40,000km).

Your salary package, which runs for one year, will most likely pass a FBT year end and thus have FBT calculated and charged to your package based on your driving habits in two FBT years. Any excessive distance you travel in one FBT year cannot be carried over to offset any deficiencies in the subsequent FBT year.

The distance travelled from the start of your package to 31 March (end of FBT year) is recorded, and the distance is annualised to determine the rate at which FBT will be charged to your package. Next the distance travelled from 1 April (start of new FBT year) to the end date of your package is recorded and again annualised to determine the rate at which FBT will be charged to your package. Two FBT amounts (pro-rated) will be charged to your package.

Case Study: The pitfalls of budgeting beyond your average daily driving habits.

Package Start Date: 01/06/05 Package End Date: 31/05/06

Budgeted Annual Distance: 31,025km (as above) + 10,000 extra Km for January 2006 = 41,025km

Budgeted Statutory Rate: 41,025 km falls within the 40,001km (and above) thus the Statutory Rate is 7%

FBT Charged to Package: FBT charged will be made up of the FBT applicable in the 1st FBT year (1/6/05 to 31/3/06) and FBT applicable in the 2nd FBT year (1/4/06 to 31/5/06):

In this case study suppose the actual driving habits were as follows:

Distance traveled (1/6/05 to 31/3/06): 35,840 (304 days) Distance traveled (1/4/06 to 31/5/06): 5,185 km (61 days)

Although over the package year you drove the budgeted distance of 41,025 km, the FBT charged will be different:

Actual Statutory Rate (1st FBT year): Annualised Distance: $35,840\text{km} / 304 \times 365 = 43,032 \text{ km}$
Actual Statutory Rate: 7%

Actual Statutory Rate (2nd FBT year): Annualised Distance: $5,185\text{km} / 61 \times 365 = 31,025 \text{ km}$
Actual Statutory Rate: 11%

You will be charged more for FBT than what you have budgeted for in your package!

Budgeting the daily driving habits helps to ensure that FBT is charged at the budgeted rate (or better) at both 31 March and the end date of your package. In the above example if the budget was based on daily driving habits only, then the package would NOT be charged above the budgeted Statutory Rate.

DISCLAIMER

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Example uses income tax rates effective 1st July 2006.

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