

## When is a car **not** a car?



"Utility trucks or similar vehicles are only defined as cars if they are designed to carry a load of less than one tonne."

The definition of a 'car' and the definition of 'work-related travel' can work in favour of the individual wanting to package a motor vehicle. In fact, it is possible to package a vehicle and incur no Fringe Benefits Tax (FBT) at all. According to the FBT Act (1986), a 'car' is defined as either:

- a motor car, station wagon, panel van, utility truck or similar vehicle designed to carry a load of less than one tonne, or
- any other road vehicle designed to carry a load of less than one tonne or fewer than nine passengers.

Therefore the majority of passenger vehicles fall into the definition of a 'car'.

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On the face of this, it would appear that vehicles such as the Holden Crewman S, Falcon RTV Ute, Toyota Hilux Double Cab and Mitsubishi Triton Double Cab cannot be packaged because, while being utility trucks, they are designed to carry loads of greater than one tonne.

However, salary packaging these types of vehicles, and having no FBT being payable, is actually possible provided the vehicle is only used for work-related travel of the employees and that any private use of the vehicle is minor, infrequent or irregular.

Essentially if the vehicle satisfies these conditions, it will be treated as an exempt benefit and absolutely no FBT will be payable. The key to successfully packaging these vehicles lies with the definition of work-related travel. Work-related travel can include travel between the employee's home and workplace. So an employee who simply uses the vehicle for travel to and from work and to perform work duties can fall within the definition of work-related travel.

Of course, caution needs to be taken with this. Private use (weekend use, social use) must be kept to an absolute minimum and be, as defined, minor, infrequent or irregular. *bvm*

The information in this article is provided as a guide only and is not a substitute for legal or other professional advice. Tables are for illustrative purposes and actual figures could vary.

### CASE STUDY

An employee earns a gross salary of \$70,000 per annum and wishes to package a Falcon RTV Ute. The vehicle will only be used for work-related travel.

- Purchase Price: \$31,975
- Annual distance travelled: 20,000 km
- Novated lease payment: \$8,871
- Registration: \$570
- Insurance: \$1,000
- Petrol: \$3,000
- Maintenance: \$2,100

	Without Packaging	With Packaging
Gross Salary	\$70,000	\$55,729
<b>Plus Benefits Packaged:</b>		
Motor Vehicle	-	\$8,871
- Motor Vehicle Lease	-	\$6,670
- Running Costs	-	0
- FBT		
Less GST passed back		(\$1,270)
Total Package	\$70,000	\$70,000
Less Income Tax	\$20,757	\$14,174
Take Home Pay	\$49,243	\$41,555
<b>Less Benefits not Packaged:</b>		
Motor Vehicle Lease	\$8,871	
Running Costs	\$6,670	
<b>Cash Remaining</b>	<b>\$33,702</b>	<b>\$41,555</b>
<b>Cash Saving</b>		<b>\$7,853</b>