

Fringe Benefits Tax - Car Benefits

Do you provide an employee a car that is also available for private use?

Employers may be providing a car fringe benefit if they make available a car they own or lease to an employee for their private use.

For fringe benefits tax (FBT) purposes, a car is any of the following:

- a sedan or station wagon
- any other goods-carrying vehicle with a carrying capacity of less than one tonne, such as a panel van or utility (including four-wheel drive vehicles)
- any other passenger-carrying vehicle designed to carry fewer than nine passengers.

If the vehicle is not a car, and the employee has private use of it, the employer may be providing a residual fringe benefit rather than a car fringe benefit.

We have just released virtual introductory sessions to help employers work out whether they are providing a car fringe benefit.

Employers can register by selecting a date and time that suits them.

Private use

A car is taken to be available for the private use of an employee on any day they or their associates use it, or are allowed to use it, for private purposes.

If a car is garaged at or near the employee's home, even if only for security reasons, it is taken to be available for their private use regardless of whether or not they have permission to use the car privately. Similarly, where the place of employment and residence are the same, the car is taken to be available for the private use of the employee.

Generally, travel to and from work is private use of a vehicle.

Exempt car benefits

There are some circumstances where use of a car is exempt from FBT. For example, an employee's private use of a taxi, panel van or utility designed to carry less than one tonne is exempt from FBT if its private use is limited to:

- travel between home and work.
- incidental travel in the course of performing employment-related travel.

- non-work-related use that is minor, infrequent and irregular (such as occasional use of the vehicle to remove domestic rubbish).

Residual fringe benefits

A residual car fringe benefit may arise when you provide an employee with private use of a motor vehicle that is not a 'car' for fringe benefits tax (FBT) purposes, such as a one-tonne utility.

Other benefits relating to the use of a car.

Other benefits relating to the use of a car, while not a car fringe benefit, may instead be an expense payment or residual fringe benefit. For example, if an employer:

- provides car parking for an employee, they may be providing car parking fringe benefits.
- pays for, or reimburses, an employee's expenditure on road tolls, they may be providing an expense payment fringe benefit.
- allows an employee to use their employer's electronic toll tag, they may be providing a residual fringe benefit.
- allows private use of a motor vehicle that is not a car, they may be providing a residual fringe benefit.

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