# BUSINESS & COMMERCIAL NEWS – FBT changes for cars scrapped

**FBT changes for cars**

You will recall that in the run up to the Federal Election the Labor Government had proposed to remove the statutory formula method for calculating the taxable value of car fringe benefits for new contracts entered into after 16 July 2013, with effect from 1 April 2014.

The Coalition Government Finance spokesman Andrew Robb has declared Labor's fringe benefits tax crackdown on company cars "dead buried and cremated" with the election of the Coalition.

Under existing legislation, individuals can choose to calculate the taxable value of a car using one of the following methods:

- Statutory formula method or
- Operating cost method

Our income tax return preparation software actually compares the methods and selects the most tax effective method.

**Statutory formula method**

This method calculates the taxable value by multiplying the relevant statutory percentage by the car's value. Since 10 May 2011 the statutory percentages which were previously based on the year's mileage are being replaced with a single flat rate of 20%.

There is still a tax benefit for salary packing the substantially private family car and applying this method.

**Operating cost method**

The taxable value is a percentage based on the extent of private use of the total operating costs. This method requires apportioning the car between private and business use and takes into account the actual costs of running the car plus a deemed depreciation cost and statutory interest rate. Under the operating cost method, a log book must be maintained to satisfy record keeping obligations.

This method is a little extra work but can now be a better option for packaging business use vehicles.

**Planning Points**

- Logbook
- Keep a record of costs
- Nash Solutions will assist you in selecting the best method for each vehicle.

**Please contact us for more information.**

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