

FBT and cars - flat 20% valuation rate to apply

The Government announced the current rate scale method for valuing car fringe benefits be replaced with a single statutory rate of 20%, regardless of the number of kilometres travelled.

The changes will apply to new vehicle contracts entered into after 7.30pm (AEST) on 10 May 2011, and will be phased in over 4 years as follows:

- The flat 20% rate will particularly benefit those who drive less than 15,000 kilometres, resulting in an FBT saving.
- For those who drive between 15,000 and 25,000kms pa, there will be no change - the rate stays at 20%.
- For those who drive between 25,000 and 40,000kms pa, the rate will rise from 11% to 20% over 3 years.

The change may encourage employers and employees to:

- Purchase lower cost and more fuel efficient cars
- Keep company cars longer
- Investigate more use of cars with diesel engines (for their longevity and fuel efficiency)
- Encourage more employee contributions (recipient's payment) to reduce the FBT liability
- Employees to keep log books