One of the most common questions we get is whether a dual-cab ute is exempt from Fringe Benefits Tax (FBT). Unfortunately, just because the advertising material describes the car as a “ute”, doesn’t mean that our tax laws agree.

Motor Vehicles & FBT in General

A quick brush up on what Fringe Benefits Tax is – where an employer provides a non-cash benefit to an employee, the Government seeks to tax this “transaction” by way of FBT (because it isn’t taxed as normal salary and wages).

Motor vehicles are one of the most commonly provided benefits by employers, and often employees will seek to minimise tax by trying to salary package a motor vehicle.

We won’t get too technical here, but if a car is available for the private use of an employee (or garaged at the employees home), then FBT potentially applies.

Commercial vehicles are exempt from FBT if the employee’s private use of the vehicle is limited to:

- Travel between home and work;
- Travel that is incidental to business related travel (i.e. while on a job you take a small private related detour);
- Non-work use that is minor, infrequent, and irregular.

Commercial Vehicles

In the eyes of our wonderfully complex tax laws, a commercial vehicle is basically one that either:

- Has a load carrying capacity of more than 1 tonne (1,000 kgs);
- Is designed to carry more than 8 passengers;
- Is a taxi; or
- Where the primary purpose of the vehicle is not for the transportation of passengers.

This definition ordinarily includes vehicles such as panel vans, single-cab utes, trucks, buses, taxi’s, etc.

Load carrying capacity can be ascertained by taking the basic kerb weight (or unladen vehicle weight) of the vehicle away from the gross vehicle weight.

Primary Purpose for Transporting Passengers or Not

The ATO have a fairly simple formula for working out if the primary purpose of the vehicle is for the transportation of passengers or not. Under Australian Design Rules, passengers are deemed to weigh 68kg’s each – which the ATO use in their calculations also.

If more than half of the load capacity is dedicated to the passenger section of the vehicle, then it is not a commercial vehicle and FBT will apply.

Example

A motor vehicle has a gross vehicle weight of 2,000 kgs, a basic kerb weight of 1,400 kgs, and a designed seating capacity of 5.

The first test of a commercial vehicle is whether the load capacity is more than 1 tonne (1,000 kgs). If you take the kerb weight (1,400 kgs) away from the gross weight (2,000 kgs), the result is only 600kgs. Therefore this first test is failed.

We can then move onto the second test where we determine whether the majority of this 600 kgs load capacity is dedicated to carrying passengers around, or other goods in the tray.

If we multiply the seating capacity (5) by 68 kgs each, we get a result of 340 kgs of the load being dedicated to the passengers.

This 340 kgs is greater than half of the 600 kgs load carrying capacity – therefore this vehicle is deemed a passenger car and is not exempt from FBT.

Dual-Cabs

Following on from the above, whether a dual-cab you are looking at will be exempt from FBT will therefore depend on whether:

1) It's load carrying capacity is greater than 1 tonne; or otherwise

2) The formula explained above shows that more than half of the load carrying capacity is dedicated to the tray.

Calculating Fringe Benefits Tax (if Required)

We have a brochure dedicated to FBT calculations on our website which you should refer to, however the short explanation is:

- If the vehicle is a passenger vehicle (i.e. a car), then you can use either:
  - 20% x the cost of the car x the FBT gross-up rate (approx. 2) x the top marginal tax rate (currently 49%); or
  - The log book % of the car's private travel x all vehicle expenses x the gross up rate x the top marginal tax rate
- If the vehicle is a commercial vehicle, but has more private use than "minor or incidental" then either:
  - Estimated private kms for the year x the ATO's cents per km rate (between 49c and 59c); or
  - Estimated % of the vehicle's private travel x all vehicle expenses x the gross up rate x the top marginal tax rate