


IMPORTANT INFORMATION *

Car Fringe Benefits Tax: An Employer's Guide

If your business provides a car that employees (or their family) can use privately, you may be providing a car fringe benefit — and FBT may apply. This factsheet covers when it applies, the two ways to work out the taxable value, the electric-car exemption, and what to do.

 For employers

 Cars · utes · vans

 Electric-car exemption

* General information only. Kristy Pan & Co. provides this material for general knowledge; it does not constitute tax or financial advice and does not take account of your specific circumstances. Please speak with us before acting.

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When a car fringe benefit applies

If your business holds a car and an employee (or their associate, such as a family member) uses it for private purposes, you may be providing a car fringe benefit. FBT is separate from income tax and GST.

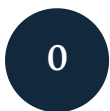
Three questions

You are generally providing a car fringe benefit if the answer to all three is **yes**:

Quick self-check

Tick the ones that apply — nothing here is saved or sent.

- There is a **car** — a sedan, wagon, ute or van under 1 tonne, or a vehicle designed for fewer than 9 passengers.
- The car is **held by the business** (owned or leased).
- It is provided to an **employee or their associate for private use**.



0 of 3 apply.

If all three apply, you're generally providing a car fringe benefit.

What counts as "private use"



KEY POINT

A car garaged at an employee's home counts as available for private use.

A car is available for private use on any day it is not at your premises and the employee may use it privately, or it is garaged at their home — regardless of whether private use is actually permitted. As a general rule, travel between home and work is private use.

If the vehicle is not a "car" (for example a larger goods vehicle or a motorbike) but is used privately, you may be providing a *residual* fringe benefit instead.

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Working out the taxable value

There are two methods. If you keep the right records, you can use whichever returns the **lower** taxable value.



Statutory formula method

Applies a 20% statutory rate to the car's base value. Simpler record-keeping.



Operating cost method

Based on the car's actual operating costs and the percentage of private use (a logbook is needed).



WORKED EXAMPLE

Same car, two methods

Statutory formula: base value \$30,000, available 365 days, 20% rate, less \$1,100 employee contributions → taxable value **\$4,900**.

Operating cost: \$11,480 operating costs, 25% private use, less \$1,100 contributions → taxable value **\$1,770**.

Here the operating cost method gives the lower value.



TIP

Your records decide your options.

The two methods have different record-keeping requirements — a logbook is needed for the operating cost method. Keeping good records lets you choose the method with the lower taxable value. The ATO's FBT car calculator can help you compare.

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The electric car exemption

Car benefits for eligible electric cars are **exempt from FBT**. The exemption applies only if **all** of the following are met:



Zero / low emissions

A battery electric, hydrogen fuel-cell, or (until 1 Apr 2025) plug-in hybrid vehicle.



First used from 1 July 2022

The car was first held and used on or after 1 July 2022.



A current employee

Used by a current employee or their associates (such as family).



No luxury car tax

Luxury car tax (LCT) has never been payable on the car.



WATCH THIS

Plug-in hybrids: exemption ended 1 April 2025.

From 1 April 2025, plug-in hybrid electric vehicles are no longer eligible — unless their use was exempt before that date and you have a financially-binding commitment to keep providing it.

Note: even when a car benefit is exempt, you still work out its value for the employee's reportable fringe benefits amount.

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How we help

We can confirm whether you are providing a car fringe benefit, choose the method that gives the lowest taxable value, set up the records you will need (including logbooks), check the electric-car exemption, and prepare and lodge your FBT return.

↓ [ATO car FBT guide \(PDF\)](#)

↓ [ATO electric-vehicle FBT \(PDF\)](#)

[Talk to us →](#)

[Read the ATO's car FBT guidance](#) [↗](#)

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Glossary of terms

FBT

Fringe Benefits Tax — a tax employers pay on certain benefits provided to employees or their associates, separate from income tax.

Associate

A person connected to the employee, such as a family member, who may also use the car.

Operating cost method

Works out the taxable value from the car's operating costs and the percentage of private use; requires a logbook.

Reportable fringe benefits amount

The grossed-up value of an employee's fringe benefits shown on their income statement; it affects income tests, not income tax.

Car Fringe Benefit

The benefit that arises when a car the business holds is available for an employee's (or associate's) private use.

Statutory formula method

Works out the taxable value by applying a 20% statutory rate to the car's base value.

Base value

Broadly, the car's cost (or leased value) used in the statutory formula method.

DISCLAIMER

This factsheet contains general information only, summarised from the ATO's car fringe benefits and electric-vehicle FBT guidance. It does not take into account your circumstances and is not a substitute for advice. Please consult Kristy Pan & Co. about your situation before acting.

