

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 231

Topic: FBT - Cars

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Senator Cormann asked:

Senator CORMANN: And that is of course as far as we can take that part of it here. In relation to the proposed fringe benefits tax changes to cars—anticipated revenue from changes in the budget—is either Treasury or the ATO able to provide the total number of individuals and businesses that will be affected by this change?

Mr M Robinson: We do not have information on the number of individuals affected by the change.

Senator CORMANN: Why is that?

Mr M Robinson: Because we have information on the number of cars that are subject to the statutory formula but during the course of a year an individual might be involved in more than one contract in relation to a car. There might be fringe benefits tax liabilities in relation to more than one vehicle.

Senator CORMANN: Or a number of people might be impacted by one car.

Mr M Robinson: That is possible, yes, in the case of pooled vehicles and that sort of thing.

Senator CORMANN: What is the total number of cars that will be impacted?

Mr M Robinson: I think the ATO data from taxation statistics indicates that around 570,000—about that order—of cars are subject to the statutory formula method.

Senator CORMANN: Out of those how many will see an adverse change and how many will see a beneficial change? It is getting averaged out, I guess, at one level.

Mr M Robinson: That effectively goes to the distribution of kilometres travelled for cars under the statutory formula method. We estimate around 60 per cent of cars are travelling distances of 25,000 kilometres or more and therefore would be impacted by an increase in the statutory fraction.

Senator CORMANN: So 60 per cent of those would have an adverse impact, essentially?

Mr M Robinson: That is right. The statutory fraction would increase for those cars. A bit less than 15 per cent we estimate are travelling less than 15,000 kilometres a year and would see a benefit through a reduction in the statutory fraction.

Senator CORMANN: That is 60 per cent worse off, 15 per cent better off and 25 per cent business as usual, roughly?

Mr M Robinson: Roughly.

Senator CORMANN: Out of 570,000 cars. Are you able to provide a breakdown of that figure by state—not now but on notice?

Mr M Robinson: Yes, I can take that on notice.

Senator CORMANN: Are you able to break that sort of figure down by federal electorate?

Mr M Robinson: I do not imagine that that would be possible.

Senator CORMANN: I just thought I would ask.

Answer:

The reform only applies to new contracts entered into after 7:30pm (AEST) on 10 May 2011 and is phased in over four years. Therefore none of the individuals and businesses who are on contracts at that time are affected.

There is no data on how many individuals and businesses have entered into contracts since 7:30pm (AEST) on 10 May 2011. However they will be better off as a result of this reform if they drive less than 15,000 kilometres per year, and will not be affected if they drive between 15,000 and 25,000 kilometres per year.

The figure of around 570,000 cars which are subject to the statutory formula method, utilised in estimating the revenue impact of the 2011-12 Budget measure *Fringe benefits tax — reform of the car fringe benefit rules*, is based on ATO data from FBT returns of employers.

An employer's FBT return records the total number of fringe benefits provided in regard to cars using the statutory formula method, however does not provide any geographic indicators of where the cars are located. Further, the location of the employer does not provide a reliable indicator of where the car is located. While the personal income tax returns of individuals record reportable fringe benefits, these are reported in aggregate so it is not possible to identify which individuals receive car fringe benefits. Consequently, it is not possible to provide a breakdown of the 570,000 cars relating to existing contracts (and unaffected by the policy) by electorate or state.