

Revenue Ruling

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| Ruling Number | PTA005v3 |
| Title | Exempt Allowances – Motor Vehicle and accommodation |
| Tax Line | Payroll Tax |
| Legislative Reference | <i>Payroll Tax Act 2008</i> |
| Previous Ruling | PTA005v2 |
| Date of Ruling | 15 April 2019 |

Preamble

The *Payroll Tax Act 2008* (the Act), which commenced on 1 July 2008, rewrote the *Pay-roll Tax Act 1971* and harmonised payroll tax legislation in Tasmania with Victoria and New South Wales. A summary of the jurisdictions that have adopted this Revenue Ruling is available at: <http://payrolltax.gov.au/revenue>.

This Revenue Ruling explains the position regarding exempt allowances.

Ruling

Section 13 of the Act defines wages to include allowances paid or payable to an employee. Generally, all allowances paid or payable to an employee are taxable for payroll tax purposes. However, there are specific provisions which apply to motor vehicle allowances and overnight accommodation allowances. Sections 29 and 30 of the Act provide that motor vehicle allowances and overnight accommodation allowances are not taxable to the extent that each of these allowances do not exceed the exempt component.

Motor Vehicle Allowance

A motor vehicle allowance is paid or payable to an employee to compensate them for any business use of his or her own private vehicle.

The exempt component is calculated using the formula: $E = K \times R$

Where:

E is the exempt component

K is the number of business kilometres travelled during the financial year

R is the exempt rate

The exempt rate is the rate determined under section 28.25 of the *Income Tax Assessment Act 1997* (Cth) (ITAA) for calculating a deduction for car expenses using the cents per kilometre method in the financial year immediately preceding the financial year in which the allowance is paid or payable. If there is no rate under the ITAA, the exempt rate is the rate prescribed by the Payroll Tax Regulations.

A motor vehicle allowance can be paid on the basis of an amount per business kilometre travelled by the employee or as a regular flat or fixed amount.

Motor Vehicle Allowance Paid on a per Kilometre Basis

Section 22 of the *Fringe Benefits Tax Assessment Act 1986* (Cth) (the FBT Act) generally exempts an expense payment benefit if it reimburses an employee for car expenses of a car they own or lease and the reimbursement is calculated by reference to the distance travelled by the car (i.e. paid on a cents per kilometre basis). There are some circumstances where this fringe benefit exemption does not apply, for example, where the expense payment benefit relates to a holiday taken by the employee or where the travel relates to relocation.

Some uncertainty may exist as to whether exempt expense payment benefits are subject to payroll tax where the benefit also falls within another part of the definition of wages under the Act. The Commissioner is of the view that exempt expense payment benefits are generally not wages for payroll tax purposes even where the exempt benefit may also fit within another part of the definition of wages under the Act. Therefore, a car expense payment paid on a cents per kilometre basis, that is exempt from fringe benefits tax under the FBT Act, is not subject to payroll tax.

Motor Vehicle Allowance Paid as a Flat or Fixed Amount (i.e. not paid on a per kilometre basis)

An allowance which is paid as a flat or fixed amount is not an exempt car expense benefit under the FBT Act. In the absence of records confirming the business kilometres travelled, the total of the motor vehicle allowances paid or payable to an employee is subject to payroll tax. For example, a regular travelling allowance of \$200 per month, paid to a sales person who keeps no records of the business use of his or her private motor vehicle, is taxable in full.

However, where an employer maintains records to substantiate the business kilometres travelled in the period covered by the allowance, the exempt component may be calculated. The amount of a motor vehicle allowance paid up to the exempt component is exempt. Where the allowance exceeds the exempt component, only the amount in excess of the exempt component is taxable.

For motor vehicle allowances paid by real estate salespersons, please refer to Revenue Ruling [PTA025v2](#).

Allowance Paid as Fixed Amount plus a Rate per Kilometre

Where a motor vehicle allowance is paid as a combination of a fixed amount plus a rate per kilometre, the taxable portion of the allowance is the amount the allowance exceeds the total of the exempt car expense payment benefit under the FBT Act and the exempt component using the ATO rate per kilometre.

Example

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| Total business kilometres travelled during the 2017-18 year: 10,000 | |
| Allowance paid during the year: | |
| Negotiated fixed amount | \$8 000 |
| Negotiated rate per kilometre @ 30 cents | \$3 000* |
| Total allowance paid | \$11 000 |
| Less exempt fringe benefit | \$3 000* |
| Sub total | \$8,000 |
| Less exempt component (using the 2016-17 ATO rate of 66 cents per km) | \$6 600 |
| Taxable portion of allowance | \$1 400 |

* Where the negotiated rate is less than the exempt fringe benefit, the values are negated.

Overnight Accommodation Allowance

An overnight accommodation allowance is paid to cover temporary accommodation costs for a night's absence from the employee's usual place of residence as a consequence of employment.

Temporary accommodation in this context means:

- accommodation for a continuous period of no more than 21 days, or
- accommodation for a continuous period of more than 21 days where the employee continues to maintain a domestic dwelling for the purpose of accommodating the employee and/or his or her family.

All allowances paid or payable for accommodation that is not of a temporary nature are fully taxable.

An overnight accommodation allowance is distinguished from an accommodation expense payment (or a reimbursement) in that the accommodation allowance is a pre-determined amount paid to an employee and the employee is not required to substantiate the costs incurred in securing the accommodation.

An overnight accommodation allowance is also distinguished from a living away from home allowance. An overnight accommodation allowance is generally paid where the employment requires a temporary absence from the employee's usual place of residence, whereas a living away from home allowance is paid where the employee is temporarily required to relocate their usual place of residence. These allowances are subject to different Commonwealth taxation treatments. An overnight accommodation allowance is treated as assessable income in the hands of the employee whereas a living away from home allowance is a fringe benefit.

An overnight accommodation allowance, provided to an employee for temporary accommodation costs, will be taxable only to the extent that it exceeds the exempt rate.

The exempt rate for overnight accommodation allowances is the total reasonable amount for daily travel allowance expense using the lowest capital city for the lowest salary band for the financial year determined by the Federal Commissioner of Taxation (Federal Commissioner). These determinations are made by the Federal Commissioner in June of each year and set out the amounts that the Federal Commissioner considers are reasonable for the following income tax year in relation to claims made for travel allowance expenses.

The Federal Commissioner's determination of reasonable amounts for travel allowance expenses includes components for meals and incidental expenses. These components are also exempt when paid as part of the overnight accommodation allowance to the extent that they do not exceed the respective ATO limits whether or not the employer separately identifies these payments made to an employee.

In some instances, the accommodation is paid by the employer directly to the hotel, motel or serviced apartment and the employee is only paid an allowance for meals and incidentals in respect of the period of absence from the employee's usual place of residence. The allowances for meals and incidentals are exempt from payroll tax up to the respective ATO limits for these payments.

For overnight accommodation allowances paid to truck drivers, please refer to Revenue Ruling [PTA024v2](#).

Living Away From Home Allowance

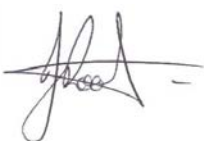
A living away from home allowance is a fringe benefit and, therefore, the amount of the allowance for payroll tax purposes is the value determined in accordance with the FBT Act. If the allowance does not qualify as a living away from home allowance benefit under the FBT Act, it will be treated in the same manner as an overnight accommodation allowance for payroll tax purposes.

Please note that rulings do not have the force of law. Each decision made by the Commissioner of State Revenue is made on the merits of each individual case having regard to any relevant ruling.

More Information

Enquiries about this Revenue Ruling should be directed to the Legislation, Communication and Review Section by phing (03) 6166 4400 or emailing revenuereview@treasury.tas.gov.au.

All rulings must be read subject to Revenue Ruling, PUB-GEN-2014-5, "[Explanation and Status of Revenue Rulings](#)".



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