

Practice Update

Record Keeping

Log book records and odometer records

Log book and odometer records are kept when you use:

- the operating cost method to calculate the taxable value of a car fringe benefit (refer to section **7.5** of Car fringe benefits)
- the first method for employee cars when applying the 'otherwise deductible' rule (refer to section **21.1** of Employee cars - applying the 'otherwise deductible' rule).

In a log book year, you must keep both types of records. In a year other than a log book year, you need keep only odometer records.

A log book year commonly occurs when you use the operating cost method to value a car fringe benefit for the first time. The term is dealt with in more detail in section **7.8** of Car fringe benefits.

Log book records contain a record of business use and are usually maintained for a continuous 12-week period. Odometer records are a record of the total distance travelled during the same 12 weeks that log book records are maintained, and the total distance travelled each year. The 12-week period chosen should be representative of the car's business use.

You should keep records of additional information such as the car's make, model, registration number and percentage of business use as part of your business records.

Information to be recorded in log book records

We don't produce an official log book but we have provided a sample that you can use. If you prefer, you can design your own log book or buy one of the many commercial products available.

Regardless of which type of log book you use, all

of the following details must be recorded for each business journey:

- the dates on which the journey began and ended
- the odometer readings at the start and end of each journey
- the kilometres travelled
- the purpose of the journey.

When recording the purpose of the journey, an entry stating 'business' or 'miscellaneous business' will not be enough. Your entry should sufficiently describe the purpose of the journey so that it can be classified as a business journey.

Your log book records must be in English and entries should be made at the end of a trip or as soon as reasonably practicable afterwards.

Where two or more business trips are undertaken consecutively on any day, only one entry for the series needs to be recorded in the log book. For example, an entry for a salesman who called on 10 customers while working in the Bathurst-Orange area of New South Wales could record the odometer readings at the start and end of the consecutive journeys and describe the purpose of the travel as '10 customer calls, Bathurst-Orange area'.

The period during which the log book is kept must be specified. This continuous period may overlap two tax years. You can keep your log book for up to five years (assuming there is no major change in the pattern of use). After the fifth year, you will need to keep a new log book.

Sample car log book record

Here is a sample record from a log book:

Employer name:				FBT year ended 31 March 2009		
Make: Holden		Model: Commodore		Engine type: 3,800cc		Registration No: AAA 999
Date trip began	Date trip ended	Odometer start	Odometer end	Kilometres travelled Business km		Purpose of the journey
06/06/2008	06/06/2008	118,500km	118,570km	70km	0km	Visit mechanic, ATO
07/06/2008	07/06/2008	118,570km	118,580km	0km	10km	Private travel

Private travel is not required to be shown, but you may include it in your records to help with calculations.

You need one log book per car.

Information to be recorded in odometer records

Odometer records are a record of the total kilometres travelled by a car during the FBT year or for that part of the year when it was used to provide fringe benefits. Odometer records should be kept for the same period for which a log book is kept.

As with log books, we don't produce an official odometer record form. You are entitled to keep records of your own design, or to purchase one of the many commercial products available.

However, the following details must be recorded for the beginning of each period (that is, year, part-year or log book period) and also for the end of each period:

- the date the period began, or ended
- the odometer reading at the start of the period.

The odometer records must be in English, and the entries should be made at, or as soon as reasonably practicable after, the respective times to which the readings relate.

If you replace a car during the year and the business percentage is transferred to a new car, the odometer records must also include an entry showing odometer readings of the replaced car and the new car on the replacement date.

Sample odometer reading

Here is a sample odometer reading, showing the type of odometer records you need to keep:

Employer name:			FBT year ended 31 March 2009			
Car Make	Model	Registration number	Start Date	End Date	Start Odometer reading	End Odometer reading
Holden	Commodore	AAA 999	01/04/2008	31.03.2009	116,000km	126,000km

An odometer record can be used for more than one car. Don't add together the kilometres travelled by the old and new cars.

Living away from home allowances and benefits

You and your employee must meet certain record-keeping requirements for the relevant living away from home concessions to apply if you provide your employee with:

- a living-away-from-home allowance (refer to **chapter 11**)
- food because their employment duties require them to live away from home (refer

to section **19.4** of Reductions in fringe benefit taxable value)

- accommodation because their duties of employment require them to live away from home (refer to section **20.4** of Fringe benefits tax exempt benefits).

Substantiating exempt accommodation and exempt food components

Employee living away from home from 1 October 2012

To reduce your FBT liability on the living-away-from-home allowance by any exempt accommodation component and any exempt food component, your employee must meet certain Substantiation requirements:

- Your employee must substantiate the accommodation expenses incurred while living away from home **in full**.
- Your employee only needs to substantiate food or drink expenses if the expenses incurred while living away from home exceed an amount the Commissioner considers reasonable - if so, your employee needs to substantiate the full amount of the expenses incurred, not just the excess amount.
- The Commissioner issues advice specifying reasonable amounts for food or drink expenses in an annual Taxation Determination.

Your employee satisfies the substantiation requirements if they give you, before the declaration date for the relevant FBT year, either:

- documentary evidence of the expense - that is, either the actual receipt or other evidence as appropriate (for example, receipts, tax invoices, credit card or bank statements), or a copy of these documents, or
- an appropriate declaration in a form approved by the Commissioner setting out information about the expense.

If your employee gives you an appropriate declaration, they must retain the relevant documents to substantiate the expense incurred for a period of five years from the declaration date. However, this is not required if your employee gives you the documentary evidence of the expense - in that situation, you must keep the evidence for five years.

Employee living away from home before 1 October 2012

If you pay a living-away-from-home allowance because your employee is living away from home before 1 October 2012, your employee (other than those working on a fly-in fly-out arrangements) must give you a living-away-from-home declaration in the approved form to reduce your FBT liability by any exempt accommodation component and any exempt food component.

For copies of these approved forms, including an explanation when each should be used, refer to **Declarations**.

Declaration about living away from home from 1 October 2012

Your employee must give you an appropriate declaration about living away from home in the approved form if any of the following apply:

- They maintain a home in Australia at which they usually reside and the fringe benefit relates to the first 12 month period.
- The transitional rules apply and they are not required to maintain a home in Australia and/or the 12 month period does not apply.
- They work on a fly-in fly-out or drive-in drive-out basis.
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For copies of these approved forms, including an explanation when each should be used, refer to **Declarations**.

You must obtain all employee declarations no later than the day on which your FBT return is due to be lodged with us, or, if you don't have to lodge a return, by 21 May.

The 'otherwise deductible' rule and travel diaries

If you use the otherwise deductible rule, you must have certain documentation to substantiate the extent to which the benefit provided would have been 'otherwise deductible' to the employee. You must obtain the documentation from the employee before lodging the relevant FBT return.

A 'travel diary' is a diary or similar document that you must obtain from an employee where:

- you provide a fringe benefit for travel within Australia for more than five consecutive nights and the travel is not exclusively for performing employment-related duties (the fact that the business travel requires the employee to stay away over a weekend will not, in itself, mean the trip is not undertaken exclusively in the course of their employment)
- you provide the benefit for travel outside Australia for more than five consecutive nights.

In determining whether a travel diary needs to be kept, you need to look at the number of nights the employee is away from home. The number of nights away from home includes transit time.

Example: travel more than five consecutive nights

An employee lives in Brisbane and travels to Hawaii for work purposes. The employee's flight to Hawaii departs from Sydney. The employee leaves their home in Brisbane on 2 April, flies to Sydney, and departs for Hawaii on 3 April. The employee returns directly to Brisbane on 8 April. The employee is away from their home for six nights in total and would need to keep a travel diary.

A travel diary shows where the activity took place, the date and the approximate time when the activity commenced, the duration and the nature of the activity.

If the provision of the expense payment or residual benefit is subject to a consistently enforced prohibition on private use and would result in a taxable value of nil, the requirement to obtain a travel diary will be waived. In such instances, you will then be able to make an annual no private use declaration stating that the benefit which was provided was only for employment related purposes and there was no private portion.

A travel diary is used to substantiate the following fringe benefits:

- airline transport (refer to *Airline transport fringe benefits*)
- expense payments (refer to *Expense payment fringe benefits*)
- property (refer to *Property fringe benefits*)
- residual (refer to *Residual fringe benefits*).

Reportable fringe benefits

If you provide fringe benefits with a total taxable value of more than \$2,000 to an employee in an FBT year, you must report the grossed-up taxable value of fringe benefits on the employee's payment summary for the corresponding income year (1 July to 30 June). These are called reportable fringe benefits.

You will need to keep records in sufficient detail to be able to report each individual's fringe benefits amount.

Before 1 April 2007, the fringe benefits reporting exclusion threshold was \$1,000.