



Australian Fleet Lessors Association

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MEDIA RELEASE

FRINGE BENEFITS TAX ON CARS

The **Australian Fleet Lessors Association** (AFLA) is the association of fleet leasing companies in Australia. Members have a total portfolio in excess of 550,000 funded and/or managed vehicles.

Further data from AFLA Members vividly demonstrates the unfortunate consequences of the Government's announcement of the removal of the statutory formula method for salary-sacrificed and employer-provided cars.

This measure was announced on 16 July, and sample data for AFLA Members revealed total vehicle orders placed in the second half of July were 20% lower than in the first half.

More recent data shows that this downturn in vehicle orders has significantly worsened. The downward trend has not been arrested, but has accelerated; orders placed in the first half of August were **37%** down on those in the first half of July. Orders for Australian manufactured vehicles were down by **35%**, other vehicles by **38%**.

This alarming reduction in business is entirely attributable to the removal of the statutory formula option. It has had a serious immediate impact on business in this industry sector with devastating consequences for those suffering loss of employment. Further job losses are inevitable if this measure proceeds.

The AFLA data shows that the average cost of the funded portfolio is around \$36,000 per vehicle, less than 4% are above the luxury car limit, and 50% are Ford, Holden or Toyota manufactured products. Vehicles used as tools of trade make up around three-quarters of the fleet and are predominantly Ford, Holden or Toyota manufactured vehicles.

The currently legislated FBT regime facilitates sensible compliance arrangements. For AFLA Members, less than 20% of tool-of-trade vehicles use the operating cost method to determine their FBT liability, but will be required to move to this method, with a significant increase in cost of compliance resulting from the need to account for every vehicle expense on a per vehicle basis.

With three weeks remaining to the election, these impacts could be reversed if it was clearly made known that this measure will not proceed.

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