



Monthly Information Newsletter – Tax & Super

April 2020

E-bikes, FBT, and salary sacrificing

Entering into a remuneration package to secure a vehicle through a salary sacrifice arrangement is a popular option offered to employees. However, the ATO has issued a ruling on another particular set of wheels that opens up both a tax and health incentive.

ATO guidance covering the use of an electric bicycle (e-bike*) by an employee has been released, which applies from 1 April 2019 to 31 March 2024. In it, the ATO sets out the fringe benefits tax consequences of employers providing their employees with the use of e-bike under a salary packaging arrangement.

Briefly, the FBT consequences are quite different to the more common vehicle supplied under such arrangements (that is, a car). The ruling says that a “car benefit” will not arise from an employee’s use of an e-bike because, simply, the e-bike is not a car.

A “property benefit” will not arise from an employee’s use of an e-bike as in this arrangement the e-bike leasing company retains the ownership of the e-bike during the term of the lease.

However, a “residual benefit” will arise. But the residual benefit will be an exempt benefit under the FBT rules if the private use of the e-bike is restricted to:

- travel to and from work
- use that is incidental to travel in the course of performing employment-related duties, and
- non-work-related use that is minor, infrequent and irregular.

Where a residual fringe benefit does arise from an employee’s use of an e-bike, the taxable value of the fringe benefit can be calculated using either:

- the proportion of total operating costs that relates to private use, or
- a cents per kilometre basis (the same as motorcycles, 16c for FBT year 2019-20) if there is extensive business use.

The arrangement as described reflects novated lease arrangements that are more usually used for the four wheeled variety of vehicles that are provided to employees.

Of course, the ancillary “real” benefits include reducing carbon emissions, easing traffic congestion, lessening demand on infrastructure, encouraging more modes of transport and actively promoting a healthy lifestyle with flow-on benefits to the general cost of health care.

**An e-bike is defined as a bicycle-like frame fitted with an electric motor, which provides support when the rider is actively pedalling — the rider therefore is still getting exercise, but the effort is supported by battery power. As with unpowered bicycles, there is no requirement for registration or a driver’s licence.*

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