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## CLIENT NEWSLETTER

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### TAX TIP – SAVING FRINGE BENEFITS TAX COSTS – Vehicles Using the Statutory Formula Method

As the end of the Fringe Benefits Tax year approaches, we draw your attention to a factor that influences the taxable value of your car fringe benefits.

Under the statutory formula method, as the total number of kilometres (not just *business* kilometres) travelled in the year *increases*, the statutory fraction used (per the Statutory Fraction table below) *decreases*, resulting in a lower taxable value and lower Fringe Benefits Tax payable.

For example:

- if you travel 24,900 kms in the year, the taxable value of the benefit is calculated as the value of the car, say \$35,000, by .20 (the appropriate statutory fraction) = \$7000.
- if you travelled 25,100 kms in the year, the taxable value of the benefit is the value of the car by .11 (\$35,000 x .11) = \$3850.
- i.e the taxable value has been reduced substantially, by travelling extra kilometres and moving into the next statutory bracket.

We suggest that it could be worth your while to check your odometer readings and calculate the likely kilometres travelled in the period 1/4/07 to 31/3/08. If the number of kilometres travelled for the year is close to a threshold change, it would be advantageous to plan and time your travel arrangements to maximise this year's kilometres.

Annualised Number of Kilometres	Statutory Fraction
less than 15,000	.26
15,000 to 24,999	.20
25,000 to 40,000	.11
more than 40,000	.07

Please contact Angela Chen if you wish to discuss your specific situation.

### What is "OBM"? Open Book Management

The logic of OBM is simple:

Businesses in which all team members think and act like owners will outperform businesses in which only a few people at the top see that as their job.

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