

User Guide

Car Allowance

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CAR ALLOWANCE

A car allowance is what an employer gives employees for the business use of their personal vehicle to cover the cost of fuel and general wear-and-tear. A car allowance in Australia can be paid either as a set amount over a given time period or as a reimbursement cost calculated per Km recorded during work-related travel. More information available on the [ATO Website](#).

CAR ALLOWANCE AS A SET AMOUNT

Car allowance can be paid to employees who use their personal vehicles as a periodical salary amount. This allowance is defined by the ATO as an 'Allowance by way of unconditional extra payment' and therefore is subject to both PAYG and Superannuation. Some Fair Work awards may outline different conditions for car allowance. Please refer to your Industry standard award for more information. This allowance is reported on the Payment Summaries under the Allowances section.

CAR ALLOWANCE AS KM REIMBURSEMENT

This is where a set amount per KM is paid to the employee for use of their own vehicle. The employee must keep a log book for all work-related trips for the employer to pay. From the 1st July 2015, the ATO has set a specific rate per km which applies to all types of car. The current rate per KM is 66c, for a maximum of 5,000 business kilometres per vehicle. This allowance is not subject to PAYG or Super and it is reported on the Payment Summaries under the Allowances section.

Some Fair Work Awards still pay a higher allowance per KM driven, in this case the difference between the standard ATO rate and the Fairwork rate is taxed (however Superannuation is not calculated). For example, if a specific Fair Work award pays a Car Allowance at 78c per KM, 66c are not taxed and the remaining 12c are taxed.

More information available on the [ATO Website](#).



Important Information – Work-related trips

- Carry tools or equipment
- Attending meetings or conferences
- Travelling between two separate workplaces (Eg. First and second job)
- Delivering items or collecting supplies



Security Policies

- Car Allowance Pay Item can only be set up by users with Payroll Admin Access
- To enter KM driven on Timesheet the Car Allowance KM Pay Item must be set up as Hours

Frequently Asked Questions

I receive a per km allowance from my employer do I need to keep petrol receipts?

No, but you need to provide evidence of the km travelled for work such as a log book.

My car was at the shop so I leased one, can I still claim the cost per KM as part of my allowance?

Yes, you can claim a deduction for using a car that you owned, leased or hired under a hire-purchase agreement

Can I claim my trip from home to work?

No this is considered a private trip



How to set up a car allowance (set amount)

1. Go to Settings → Payroll Settings
2. Select the [Pay Items] → [Earnings] Tab
3. Click on [Add] → Allowance
 - The Allowance Pay Item screen opens
4. Select/Enter the following details:
 - Earnings Name → Enter: **Car Allowance**
 - Display Name → Enter: **Car Allowance**
 - Rate Type → Select: **Fixed Amount**
 - Amount → Leave blank
 - Expense Account → Select: **Car Allowance**
 - Exempt from PAYG → Leave blank
 - Exempt from Super → Leave blank
 - Reportable as W1 → Select this option
5. Click on [Add]

Allowance

Earnings Name

Display Name (optional)

Rate Type

Amount (optional)

Expense Account

Exempt from PAYG Withholding

Exempt from Superannuation Guarantee Contribution

Reportable as W1 on Activity Statement

SPECIFY THE EMPLOYEE ALLOWANCE AMOUNT

6. Go to Payroll → Employees
7. Open the employee contact
8. Select the [Pay Template] Tab
9. Click on [Add Earnings Line]
 - The Add Earnings Line Pop Up window opens

Add an Earnings Line

Earnings Rate

Calculation Type
 Use Earnings Rate Enter Rate Annual Salary

Expense Account

10. Select/Enter the following details

- Earnings Rate → Select: **Car Allowance**
- Calculation type → Select: **Enter Rate**

11. Click on **[OK]**

→ The Car Allowance Earning Rate line is added to the employee Pay Template

Pay Template

Earnings Rate	Hours	Rate	Total
Ordinary Hours	76.0000	30.000000	2,280.00
Earnings Rate			Fixed Amount
Car Allowance			500.00

+ Add Earnings Line

12. Enter the Car Allowance amount per pay period

13. Click on **[Save]**

How to set up a car allowance (km reimbursement)

1. Go to Settings → Payroll Settings

2. Select the **[Pay Items]** → **[Earnings]** Tab

3. Click on **[Add]** → **Allowance**

→ The Allowance Pay Item screen opens

4. Select/Enter the following details:

- Earnings Name → Enter: **Car Allowance [KM]**
- Display Name → Enter: **Car Allowance [KM]**
- Rate Type → Select: **Rate per Unit**
- Type of Units → Enter: **KM** or **Hours**
Note: enter Hours if you wish to enter KM drive on Timesheets
- Rate per Unit → Enter: **0.66**
- Expense Account → Select a Travel Expense account
- Exempt from PAYG → Select this option
- Exempt from Super → Select this option
- Reportable as W1 → Select this option

5. Click on **[Add]**

Allowance

Earnings Name
Car Allowance [KM]

Display Name (optional)
Car Allowance [KM]

Rate Type
Rate per Unit

Type of Units (e.g. Hours)
Hours

Rate per Unit (optional)
0.66

Expense Account
493: Travel - National

Exempt from PAYG Withholding

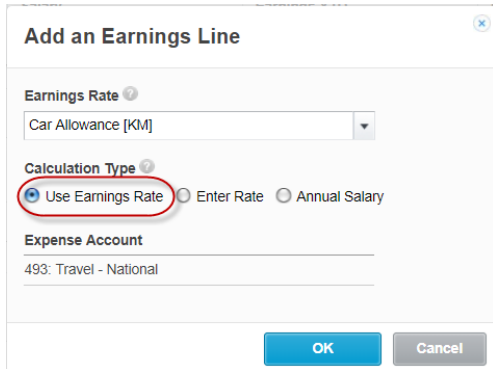
Exempt from Superannuation Guarantee Contribution

Reportable as W1 on Activity Statement

ASSIGN THE CAR ALLOWANCE TO THE EMPLOYEE

6. Go to Payroll → Employees
7. Open the employee contact
8. Select the [Pay Template] Tab
9. Click on [Add Earnings Line]

→ The Add Earnings Line Pop Up window opens



10. Select/Enter the following details
 - Earnings Rate → Select: Car Allowance
 - Calculation type → Select: Use Earnings Rate

11. Click on [OK]

→ The Car Allowance Earning Rate line is added to the employee Pay Template

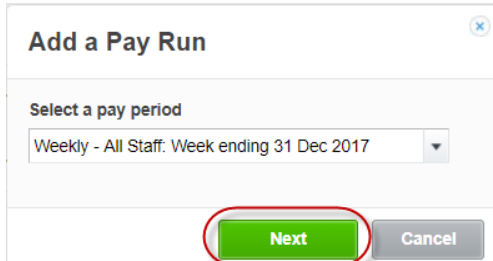


Earnings Rate	Hours	Rate	Total
Ordinary Hours	76.0000	30.000000	2,280.00
Car Allowance [KM]			

12. Click on [Save]

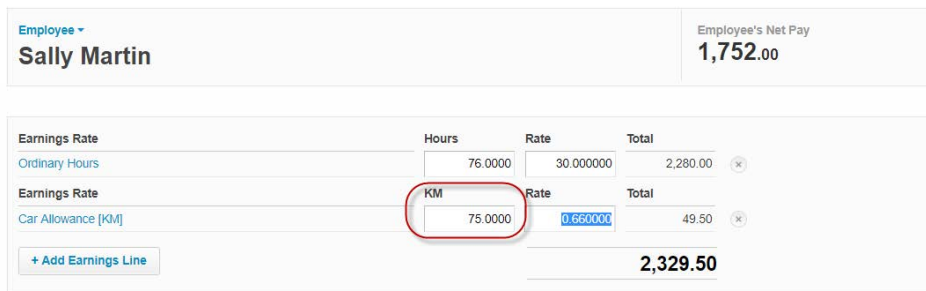
RECORD THE NUMBER OF KM TRAVELLED ON THE EMPLOYEE PAY

1. Go to Payroll → Pay Runs
 2. Click on [+Add Pay Run]
- The Add Pay Run pop window opens



3. Select the correct pay period and click on [Next]

→ Open the employee's pay

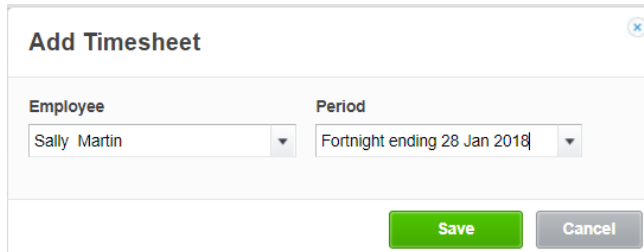


Earnings Rate	Hours	Rate	Total
Ordinary Hours	76.0000	30.000000	2,280.00
Car Allowance [KM]	75.0000	0.660000	49.50
			2,329.50

4. In the Car Allowance [KM] field enter the number of KM recorded over the last payroll period
5. Click on [Save]
6. Complete the payroll process

RECORD THE NUMBER OF KM TRAVELLED ON THE EMPLOYEE TIMESHEET

1. Go to Payroll → Timesheets
 → *The Timesheet screen opens*
2. Click on **[Add Timesheet]**
 → *The Add Timesheet screen opens*



3. Select the Employee and the correct period
4. Click on **[Save]**
5. From the Earnings Rate list select: **Car Allowance [KM]**
6. Enter the number of KM driven each day
 → *The Timesheet screen*

Employee Sally Martin	Status Draft	Week ending 07 Jan 2018	Fortnightly Total 95.00
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Earnings Rate	Mon 01 Jan	Tue 02 Jan	Wed 03 Jan	Thu 04 Jan	Fri 05 Jan	Sat 06 Jan	Sun 07 Jan	Hours
Car Allowance [KM]	15.00	25.00	0.00	30.00	25.00	0.00	0.00	95.00
+ Add another line	15.00	25.00	0.00	30.00	25.00	0.00	0.00	95.00

7. Click on **[Approve]**