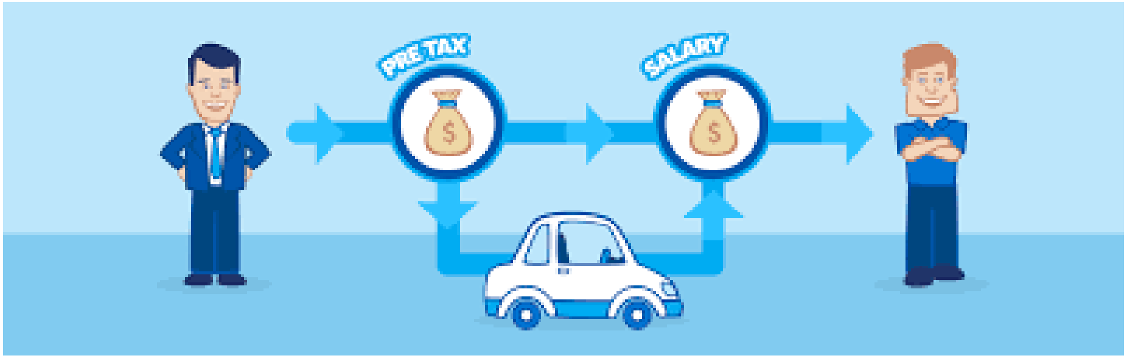

You cannot claim a tax deduction for a car you have salary sacrificed even though you make an after tax contribution.

If you really want to know, here is why:

- Unless the employee is in the maximum tax bracket, there will be a pre tax amount and a post tax amount on their payslip if the salary packaging of the car is organised correctly

- The pre tax amount is reducing their salary by the amount the employer calculates that it is costing them to provide the car.

- The post tax amount is the employee contribution. This should be taken into account when calculating the pre tax amount as to how much the car is costing the employer.

- The post tax amount effectively moves the tax rate of the fringe benefit received down to the employee's tax bracket rather than the maximum tax rate.

Why? Well the ATO take the cost of the vehicle and multiply it by 20% as an arbitrary measure of how much the use of that car is worth to the employee. Then they gross it up (basically double it) to take into account the fact that an employee in the maximum tax bracket would have to earn nearly twice as much as this to first pay tax and then provide the car to themselves.

Now if the employee pays something out of their after tax dollars in return for receiving the car then that reduces the taxable value of the benefit ie reduces the amount you get after multiplying the value of the car by 20%. The idea is to take your after tax dollars, taxed at a lower rate and reduce the taxable value to zero to get the best overall tax outcome.

An employee cannot claim a tax deduction for a car provided by their employer even if they make a post tax contribution. This is because the employee does not "hold" the car. The employer does. This is the case even under a novated lease if the employer is making the lease payments.

If the car has a lot of tax deductible use then it is worth the employee keeping a log book but not to claim it in their own tax return. Instead take it to the person doing the employer's FBT calculation and persuade them to use the log book method rather than the 20% statutory method to calculate the taxable benefit of the car. This should bring down the amount subject to FBT and as a result bring down the after tax contribution.

Once the employee has achieved that, the next step is to argue the pre tax contribution should be less because the car is not just being used for private purposes and the employer should be covering the portion used for work.