



2021 Calendar Year

Valuing Cars in the Salary Package

Valuation Formula

The following formula is used by *insightpay* to determine a salary package value for an employer-provided vehicle; where the employee has full private use of the car and the employee does not make any after-tax contribution to its costs.

$$\text{Annual Salary Package Value} =$$
$$\text{On-road Cost multiplied by 0.23, plus \$2,659}$$

Royal Automobile Club of Victoria (RACV) Ltd. define the on-road cost of a vehicle as:

List price of new vehicle as provided by Glass's

+

Government LPG rebate (if applicable)

+

A standard dealer delivery fee (based on averages for each manufacturer)

+

Government stamp duty

+

VicRoads number plates charge

+

Registration including compulsory third party insurance (TAC)

=

On Road Cost

Where the employee does not have full private use of the car and/or makes an after-tax contribution to its cost, an adjustment formula is as follows:

$$\text{Annual Salary Package Value} =$$
$$\text{On-road Cost} \times 0.23 \times \text{Usage Factor, plus \$2,659,}$$
$$\text{minus After Tax Contribution}$$

Where Usage Factor (100%, 75%, or 25%) is defined as follows:

Level 1: Full private use. Vehicle can be taken on holidays. Car is not usually available for use by others on company business. 100% of fixed cost charged to the salary package.



Level 2: Part-private use. Employee has use of vehicle after work and on weekends. Car cannot be taken on holidays. Car is available as required for use by others on company business. 75% of fixed cost charged to the salary package.

Level 3: Commuter use only. Employee uses car to travel between home and place of work. Employee may have use of vehicle after work and on weekends. Car is available for use by others on company business. 25% of fixed cost charged to the salary package.

The above, unadjusted formula is derived by **insightpay** from publicly available data on the Royal Automobile Club of Victoria (RACV) Ltd. website at www.racv.com.au, as at June 2020, for vehicles in their small, medium and large car classifications. These classifications have been used as they reflect the majority of vehicles included in **insightpay** salary surveys. The RACV data are based on a 5-year vehicle holding period. The **insightpay** formula assumes a 4-year holding period, which is more in line with employer-owned vehicle policy.

For the 2020 year we have included in the large car category People Movers and SUV's. Within the small car category an electric car has been included.

The formula assumes vehicles are driven 15,000 kpa. Other assumptions are given at the RACV website.

The text of this analysis can also be viewed at the **insightpay** website at <https://insightpay.net/insightpay/free-reports-and-downloads/>.

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