

Motor Vehicle Guidelines for Schools

January 2011

Overview

These guidelines establish the issues that a School Council needs to consider and the course of action to be followed before deciding whether to purchase or lease and operate a motor vehicle.

A State Government motor vehicle is defined as any motor vehicle owned, leased, rented, on loan or donated to any Government department, statutory authority, Government agency or any organization constituted by an Act of Parliament or subject to Ministerial responsibility.

The Department of Education and Early Childhood Development (DEECD) does not intend this information to either encourage or prevent schools from entering into such arrangements. However, there are financial and other risks of which School Council need to be aware should they choose to acquire a motor vehicle. Information provided in this document sets out additional costs that a School Council should consider before any purchase or lease of a motor vehicle is undertaken.

The risks arise in respect of Fringe Benefits Tax (FBT), Goods and Services Tax (GST), operational costs and Insurance/liability issues, all of which could be significant. Any liabilities may be incurred either by the School Council directly or through the action of the Principal or other members of staff. Regardless of how any such liabilities are incurred, they will be met by the School Council.

Each School Council should also develop its own policy and guidelines e.g. issues relating to permitted usage, garaging procedures in case of accidents, how infringement notices are to be dealt with, insurance cover (insurance policy must be a comprehensive insurance policy with specific indemnity to the Crown) etc.

These guidelines are based on the Whole of Government Standard Motor Vehicle Policy that can be located on the [VicFleet website](#).

Prior to Purchasing or Leasing a Motor Vehicle

Before deciding whether to purchase or lease and operate a motor vehicle a School Council needs to consider the practical uses, benefits and costs that will derive from the use of that motor vehicle.

Schools can meet travel costs associated with the educational programs operating within the school by:

- Purchasing transport services as they are required (bus hire, taxi services);
- Funding the lease and maintenance of a motor vehicle/s or
- Funding the purchase and maintenance of a motor vehicle/s.

In this context School Councils are reminded that travel between the workplace and private residence is not within the definition of school business and is of a private nature.

Motor vehicles acquired (purchased or leased) by any school should ensure selected motor vehicles are:

- Compliant with the Australian-manufactured policy requirement for passenger motor vehicles
- Compliant with all legal and OH&S requirements;
- Of a value below the prevailing Australian Luxury Vehicle Tax threshold (see ATO website)
- Fit the intended operational purpose, accommodating operating costs and environmental impact;
- Purchased through an authorised manufactures dealer or agent

The motor vehicle is to be registered in the name of the School Council, not in the name of an individual. New motor vehicles are to be of Australian manufacture.

Motor Vehicle Purchase

When purchasing a motor vehicle, schools must seek written approval from the Regional Director and must adhere to all legal requirements and standard government purchasing practices as they apply to schools.

The purchase of a motor vehicle needs to be based on a sound business case. The business case can take account of costs of travel associated with school activities such as: administrative tasks, finance and banking, personal development, and attendance of staff and students at special programs.

School Council must plan carefully and justify acquisition on the basis of demonstrated operational need in respect of transport of students, staff, materials or members of the school community in normal circumstances.

Justification must include a complete cost analysis demonstrating:

- Source of funding
- Operational costs
- Period of operation
- Cost / Benefits
- Tax

Leasing Motor Vehicles

School Councils possess the necessary authority to enter into hire/lease of equipment agreements provided the conditions stipulated in Part 2.3 Division 3 Section 2.3.6 (3) of the Education and Training Reform Act 2006 are strictly adhered to.

School Councils do not have the authority to borrow money so therefore are unable to enter into finance leases, but are able to enter into operating leases.

An **operating lease** is similar to a rental agreement where the goods are eventually returned to the lessor (company). For example: A school leases a motor vehicle for a period of three years. At the end of the three years the school returns the motor vehicle to the company without further obligation.

For more information regarding leases see section 6.16 Hire/Leasing of Equipment of the [School Finance Manual](#).

Taxation Obligations

There are significant implications for School Councils and the Principal in the purchasing or leasing and operating of motor vehicles. The issues include Fringe Benefits Tax (FBT), Goods and Services Tax (GST), and operational implications, including maintaining an ATO compliant log book, all of which need careful consideration.

For more information regarding FBT and GST obligations see the following fact sheets on the [DEECD Tax website](#).

- GST Implications of Leasing, Purchasing and Disposing of Motor Vehicles by School Councils
- FBT Implications – Motor Vehicles

School Council Policy

These guidelines have been developed to define the circumstances in which motor vehicle usage by a school can be justified and to detail the financial and other risks to which School Councils may be exposed.

It should be noted that this information applies to any motor vehicle purchased or leased by a School Council.

With consideration of the DEECD requirements along with local school issues, School Council should develop and ratify a school policy and guidelines in relation to any motor vehicles purchased or leased.

School issues to be covered include:

- the types of usage permitted i.e. meetings, professional development, excursions etc,
- garaging
- procedures in case of accidents or breakdowns,
- how infringement notices are to be dealt with,
- insurance cover (insurance policy must be a comprehensive policy with specific indemnity to the Crown)
- users' responsibilities in regard to log book, fuel card etc.

School Council Responsibilities

Details of any motor vehicles purchased or leased must be recorded on the asset module of CASES21. Leased motor vehicles are to be recorded at zero value. Lease start date, lease end date and monthly lease payments should also be recorded in the CASES21 asset record. By recording motor vehicles on CASES21, DEECD can ensure that security and custodianship requirements are met. Refer to the Asset Management Policy on the [Financial Management website](#).

School Council may delegate the responsibility for controlling and authorising the use of the motor vehicle to the Principal.

School Council is required to maintain a log book containing adequate utilisation records to enable:

- logging of motor vehicle kilometre usage and assessing the FBT liability associated with each car
- identification of users at any time
- planned maintenance

If further motor vehicles are bought or leased within a FBT year, the odometer reading at the date of first usage by the school needs to be recorded. Similarly, the odometer reading at the date of disposal of any motor vehicle should be recorded.

Under no circumstances is the motor vehicle to be used:

- for private transport purposes exclusively by any person
- to transport students in lieu of school bus services
- for purposes which are not suitable for the type and class of motor vehicle
- when in an unsafe condition
- when the number of passengers exceeds the legal limit; or
- if any passengers do not have access to a seat belt

The motor vehicle must be:

- pooled at all times
- available for use by all staff according to need
- driven only by Department or School Council employees
- used only for, or in connection with the business of the school
- driven only by drivers with an appropriate and current drivers licence
- when unattended, secured at all times and garaged in a secure area (preferably at the school).
- maintained regularly to manufacturers recommendations by a recognised service centre

Impact on School Operating Costs

Should a school decide to proceed to purchase or lease a motor vehicle for school use the following financial outcomes must be clearly understood:

- the Student Resource Package (SRP) will not be supplemented where additional costs are incurred from operating a motor vehicle;
- in those cases where Principals are provided by the School Council with a motor vehicle, even if ostensibly as a 'school motor vehicle', any FBT liability incurred is to be met by DEECD and the cost will be recovered from the School;
- should GST/FBT rules not be complied with, any penalty incurred will become a school cost. The SRP would not be supplemented;
- any FBT incurred as a result of any private use of a school motor vehicle will become a school cost and must be reported on the DEECD FBT Tracker software package. The SRP will not be supplemented to cover the additional cost;
- motor vehicle insurance risks need consideration at the school level, taking into account all possible users and uses of the motor vehicle.
- the insurance policy must be a comprehensive insurance policy with a specific indemnity to the Crown.
- All costs associated with running, maintaining and repairing the motor vehicle are the responsibility of the school

Disposal of a Motor Vehicle

GST must be accounted for on a disposal of a motor vehicle if the disposal is a taxable sale (including trade in).

For more information on GST implications of the disposal of motor vehicles refer to the following GST Fact Sheets located on the [DEECD Tax website](#):

- GST Implications of Leasing, Purchasing and Disposing of Motor Vehicles by School Councils,
- Trade In

For more information regarding disposal of a motor vehicle see Section 4: Assets of the [CASES21 Finance Business Process Guide](#).

All school motor vehicles should be disposed of unregistered. School Councils should submit applications to the applicable roads authority for any unused portion of a registration fee or TAC premium that has been paid.

Further Information and Contacts

GST & FBT

Tax Compliance Unit
Financial Services Division

Greg Hart (03) 9637 3702
Irena Kielczynski (03) 9637 3281

Email: Tax@edumail.vic.gov.au

CASES21 Information

DEECD Service Desk - 1800 641943

DEECD Service Gateway
<http://servicedesk.education.vic.gov.au/>