

~~ Asia-Pacific Car benefits market practice and tax laws ~~

Study of Asia-Pacific car benefits market practice and tax laws -- for planning tax-efficient compensation packages for expatriates in Asia-Pacific:

### 1) AUSTRALIA

**i) tax treatment on company car:** company car is considered as part of the salary package, hence it is taxable to employer for the employee private usage portion.

**ii) tax treatment on rented car:** rented car is considered as residual fringe benefit to employee, taxable to employer.

**iii) tax treatment on car allowance:** taxable to employee.

**iv) market median car allowance:** US\$2,000 company head, US\$1,559 non-sales function head, US\$1,542 sales function head, US\$1,232 sales manager, US\$955 sales representative.

**v) popular car brand:** Ford (Fairmont, Falcon, Falcon, Territory) for company head, Ford (Fairmont, Falcon, Territory) for non-sales function head/sales function head, Ford (Falcon, Territory)/Holden (Berlina, Calais) for Sales Manager, Holden (Commodore) for sales representative.

**vi) reimbursement of mileage:** actual reimbursement on mileage.

### 2) CHINA

**i) tax treatment on company car:** when car are provided to employees as benefits, no tax obligation arises for both both employee and employer as it is for business use.

**ii) tax treatment on rented car:** company rented car is considered as expenses to company, not taxable to both employee and employer as it is for business use.

**iii) tax treatment on car allowance:** taxable to employee.

**iv) market median car allowance:** US\$1,375 company head, US\$647 non-sales function head, US\$699 sales function head, US\$388 sales manager, US\$202 sales representative.

**v) popular car brand:** Buick for company head/non-sales function head/sales function head, Volkswagen for sales manager, Audi/Buick(GL)/Hyundai/Toyota/Volkswagen (Santana) for sales representative.

**vi) reimbursement of mileage:** RMB1.5 per km (US\$0.244 per km).

### 3) HONG KONG

**i) tax treatment on company car:** employees provided with company car for private purposes are free from tax liability, provided that employee does not convert the benefits into money.

**ii) tax treatment on rented car:** company rented car paid by employer is considered as expenses to company, not taxable to employee.

**iii) tax treatment on car allowance:** taxable to employee.

**iv) market median car allowance:** US\$1,538 company head, US\$816 non-sales function head, US\$832 sales function head, US\$640 sales manager, US\$640 sales representative.

**v) popular car brand:** BMW/Mercedes Benz (S class)/Toyota (Camry, Previa) for company head, Lexus (RX)/Toyota (Camry, Royal)/Volkswagen (Sharon) for non-sales function head, Toyota (Camry, Corolla) for sales function head.

**vi) reimbursement of mileage:** HKD1.9 per km (US\$0.244 per km).

### 4) INDIA

**i) tax treatment on company car:** taxable to employee as it is considered a benefit.

**ii) tax treatment on rented car:** taxable to employee as it is considered a benefit.

**iii) tax treatment on car allowance:** taxable to employee as it is considered a benefit.

**iv) market median car allowance:** US\$1,400 company head, US\$694 non-sales function head, US\$455 sales function head, US\$360 sales manager, US\$183 sales representative.

**v) popular car brand:** Mercedes Benz for company head, Honda (Accord, City, Civic, CRV) for non-sales function head, Toyota Corolla/Hyundai (Accent, Elantra) for sales function head, Hyundai (Accent, Santro, Getz) for sales manager, Hyundai (Santro) for sales representative.

**vi) reimbursement of mileage:** INR 10 per km (US\$0.23 per km).

## 5) INDONESIA

**i) tax treatment on company car:** company car designated to a particular employee that is taken home is taxable, payment of tax can be either employer or employee subject to agreement between both parties. However, company car for business purposes that is not designated and not taken home by any particular individual is not taxable to employer & employee, and the company must support with written memo that the car is for common use and to be returned to company after use.

**ii) tax treatment on rented car:** company designated to a particular employee that is taken home is taxable, payment of tax can be either employer or employee subject to agreement between both parties. However, pool car for business purposes that is not designated and not taken home by any particular individual is tax deductible to employer as expenses and not taxable to employee. Company must support with written memo that the car is for common use and to be returned to company after use.

**iii) tax treatment on car allowance:** taxable to employee, payment of tax will be either employer or employee subject to agreement between both parties.

**iv) market median car allowance:** US\$794 company head, US\$750 non-sales function head, US\$595 sales function head, US\$450 sales manager, US\$356 sales representative.

**v) popular car brand:** Toyota (Previa, Cmary) for company head, Toyota (Altis, Camry, Vios) for non-sales function head, Toyota (Altis, Kijang, Avanza) for sales function head, Honda (Accord, CRV, Civic, City)/Toyota (Altis, Kijang, Innova) for sales manager, Toyota (Avanza, Kijang) for sales representative.

**vi) reimbursement of mileage:** IDR1,750 per km (US\$0.19 per km).

## 6) JAPAN

**i) tax treatment on company car:** private use of a company car is a taxable income to employee. However, company car for business purposes that is not designated and not taken home by any particular individual is not taxable to employee.

**ii) tax treatment on rented car:** private use of a rented car is a taxable income to employee. However, pool car for business purposes that is not designated and not taken home by any particular individual is not taxable to employee.

**iii) tax treatment on car allowance:** taxable to employee.

**iv) market median car allowance:** US\$873 company head, US\$1,004 non-sales function head, US\$1,004 sales function head.

**v) popular car brand:** Toyota (Crown, Celsior) for company head, Toyota (Mark-X) for sales function head, Nissan/Toyota (Premio-G) for sales manager, Toyota (Corolla Fielder, Vits) for sales representative.

**vi) reimbursement of mileage:** JPY40 per km (US\$0.298 per km).

## 7) MALAYSIA

**i) tax treatment on company car:** taxable to employee and considered as benefits-in-kind. However, company car for business purposes that is not designated and not taken home by any particular individual is not taxable to employer & employee. Company must support with written memo that the car is for common use and to be returned to company after use.

**ii) tax treatment on rented car:** taxable to employee and considered as benefits-in-kind. However, pool car for business purposes is not designated and not taken home by any particular individual is tax deductible to employer as expenses and not taxable to employee, to support with written memo that it is for common use and to be returned to company after use.

**iii) tax treatment on car allowance:** taxable to employee.

**iv) market median car allowance:** US\$1,083 company head, US\$744 non-sales function head, US\$600 sales function head, US\$433 sales manager, US\$302 sales representative.

**v) popular car brand:** Mercedes Benz (E & S class) for company head, Toyota (Camry) for non-sales function head, Toyota (Camry) for sales function head, Proton (Perdana, Waja, Wira) for sales manager, Toyota (Altis)/Proton (Wira) for sales representative.

**vi) reimbursement of mileage:** MYR0.6 per km (US\$0.18 per km).

## 8) PHILIPPINES

**i) tax treatment on company car:** company car under company ownership is taxable to employer and considered as Fringe benefit tax. However, company car for business purpose that is not designated and not taken home by any particular individual is not taxable to employer & employee. It must be defined in the company policy that the car is for all staff as a benefit for business purpose.

**ii) tax treatment on rented car:** taxable to employer and considered as Fringe benefit tax. However, pool car for business purpose that is not designated and not taken home by any particular individual is tax deductible to employer as expenses and not taxable to employee. It must be defined in the company policy that the car is for all staff as a benefit for business purpose.

**iii) tax treatment on car allowance:** taxable to employee.

**iv) market median car allowance:** US\$474 company head, US\$430 non-sales function head, US\$362 sales function head, US\$424 sales manager, US\$352 sales representative.

**v) popular car brand:** Ford (Expedition) for company head, Toyota (Altis, Camry, Fortuner, Corolla, Sedan) for non-sales function head, Honda (Civic)/ Toyota (Camry, Fortuner, Corolla, Passat) for sales function head, Honda (Accord, Civic)/Toyota (Altis, Sedan) for Sales Manager, Honda (City, Civic) for sales representative.

**vi) reimbursement of mileage:** PHP6 per km (US\$0.14 per km).

## 9) SINGAPORE

**i) tax treatment on company car:** taxable to employee. However, company car for business purpose that is not designated and not taken home by any particular individual is not taxable to employer & employee.

**ii) tax treatment on rented car:** taxable to employee. However, pool car for business purposes that is not designated and not taken home by any particular individual is not taxable to employer and employee.

**iii) tax treatment on car allowance:** taxable to employee.

**iv) market median car allowance:** US\$1,753 company head, US\$1,400 non-sales function head, US\$1,319 sales function head, US\$721 sales manager, US\$663 sales representative.

**v) popular car brand:** BMW (5 & 7 series) for company head, Toyota (Camry) for non-sales function head/sales function head, Toyota (Altis, Camry, Corolla) for sales manager.

**vi) reimbursement of mileage:** SG\$0.6 per km (US\$0.494 per km).

## 10) SOUTH KOREA

**i) tax treatment on company car:** for employees, a company car is tax free.

**ii) tax treatment on rented car:** rented car is considered expenses to company, not taxable to employee.

**iii) tax treatment on car allowance:** for employees, monthly car allowance below KRW200,000 are not taxable.

**iv) market median car allowance:** US\$1,125 company head, US\$580 non-sales function head, US\$615 sales function head, US\$319 sales manager, US\$259 sales representative.

**v) popular car brand:** Hyundai (Equus, Grandeur) for company head, Hyundai (Grandeur, Sonata) for non-sales function head, Hyundai (Grandeur, Sonata) for sales function head, Hyundai (Grandeur, Sonata) for sales manager, Hyundai (Avante, Sonata) for sales representative.

**vi) reimbursement of mileage:** KRW270 per km (US\$0.351 per km).

## 11) TAIWAN

**i) tax treatment on company car:** company car is considered company property for employee use, hence it is not taxable to employee & employer.

**ii) tax treatment on rented car:** rented car under company name is taxable to employee as it is considered fringe income to employee and tax deductible to employer as expenses. However, pool car for business purpose that is not designated and not taken home by any particular individual is tax deductible to employer as expenses and not taxable to employee. Reimbursement of rental fees from company being car rental that is paid by the employee is tax free to employee, and has to be supported with document such as receipts that employee has paid.

**iii) tax treatment on car allowance:** taxable to employee for fixed rate.

**iv) market median car allowance:** US\$699 company head, US\$550 non-sales function head, US\$550 sales function head, US\$464 sales manager, US\$400 sales representative.

**v) popular car brand:** Mercedes Benz (E class)/Lexus (GS, RX, ES) for company head, Toyota (Camry, Previa) for non-sales function head/sales function head, Toyota (Camry)/Nissan (Cefiro) for Sales Manager, Toyota/Nissan/Ford (Focus) for sales representative.

**vi) reimbursement of mileage:** TWD7.5 per km (US\$0.27 per km).

## 12) THAILAND

**i) tax treatment on company car:** company car for use by a specific employee is taxable income to the employee. However, company car for business purposes that is not designated and not taken home by any particular individual is not taxable to employer & employee. It must be defined in the company policy that the car is for all staff as a benefit for business purpose.

**ii) tax treatment on rented car:** rented car taxable income to employee. However, pool car for business purposes that is not designated and not taken home by any particular individual is tax deductible to employer as expenses and not taxable to employee, It must be defined in the company policy that the car is for all staff as a benefit for business purpose.

**iii) tax treatment on car allowance:** taxable to employee

**iv) market median car allowance:** US\$840 company head, US\$642 non-sales function head, US\$543 sales function head, US\$468 sales manager, US\$369 sales representative.

**v) popular car brand:** Volvo (S60, S80, XC 70) for company head, Toyota (Altis, Camry, Fortuner, Wish) for non-sales function head/sales function head, Toyota (Altis, Sedan) for Sales Manager, Toyota (Altism Vios) for sales representative.

**vi) reimbursement of mileage:** THB6.4 per km (US\$0.19 per km).

## 13) VIETNAM

**i) tax treatment on company car:** car and incidental costs are business-deductible expenses of the employer while these benefits may be taxable income of the employee.

**ii) tax treatment on rented car:** rented car for employee usage will be taxable to employee as it is considered as benefit to employee.

**iii) tax treatment on car allowance:** taxable to employee as it is considered wages to employee.

**iv) market median car allowance:** US\$525 company head, US\$60 sales function head, US\$60 sales manager, US\$527 sales representative.

**v) popular car brand:** Toyota (Camry, Innova, Land Cruiser) for company head, Toyota (Altis, Camry, Kijang, Zace) for non-sales function head, Toyota (Camry, Innova) for sales function head, Toyota (Altis, Innova) for sales manager.

**vi) reimbursement of mileage:** not available.

## 14) ASIA-PACIFIC CAR MARKET PRACTICE AND TAX LAWS --- SOURCE OF INFORMATION:

This study on Asia-Pacific car benefits market practice and tax laws are based on information from the following sources:

**i) Feedback from HR network on car benefits practices.**

**ii) Asia-Pacific Tax websites (accessed in June/July 2008):**

~ China: <http://english.tax861.gov.cn/zgszky/zgszky.htm>

~ Hong Kong: <http://www.ird.gov.hk/>

~ Indonesia: <http://www.pajak.go.id/>

~ Japan: [http://www.nta.go.jp/foreign\\_language/index.htm](http://www.nta.go.jp/foreign_language/index.htm)

~ South Korea: [http://www.nts.go.kr/eng/resources/resour\\_21.asp?minfoKey=MINF7420080211223143](http://www.nts.go.kr/eng/resources/resour_21.asp?minfoKey=MINF7420080211223143)

~ Malaysia: <http://www.hasil.org.my>

~ Philippines: <http://www.bir.gov.ph>

~ Singapore: <http://www.iras.gov.sg/irashome/default.aspx>

~ Taiwan: [http://www.ntat.gov.tw/county/ntat\\_ch/ntat\\_en/index.jsp](http://www.ntat.gov.tw/county/ntat_ch/ntat_en/index.jsp)

~ Thailand: <http://www.rd.go.th/publish/6045.0.html>

~ Australia: [http://www.ato.gov.au/businesses/content.asp?doc=/Content/fbt\\_guide.htm](http://www.ato.gov.au/businesses/content.asp?doc=/Content/fbt_guide.htm)

~ India: <http://www.incometaxindia.gov.in/>

~ Vietnam: <http://www.mof.gov.vn/DefaultE.aspx?tabid=197>

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