



## **TenStep Supplemental Paper**

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### **The Auto Policy**

Vehicle benefits are a major attraction for employees. Such benefits are even more relevant in companies where the sales forces are the sole breadwinners. These benefits motivate them and help enhance their performance. However, for employers these benefits entail tedious documentation, complications, red tape and budgeting.

Nevertheless, vehicle benefits are an effective recruitment and retention tool.

#### **The options**

Employers have three options when implementing these benefits:

- Maintaining a car-fleet or car leasing
- Offering car allowances for work-related car expenses
- Reimbursing employee's personal car expenses used for official purposes

HR managers need to frame a vehicle policy that defines both employers' and employees' rights and responsibilities relevant to the usage of the automobile.

#### **Car ownership**

The company needs to decide whether to buy or lease the vehicles. This is a financial decision depending on the company's cash flow, accounting method, and tax rate, and the vehicle's expected use.

#### **Car allowances**

Car allowances are a good option. These allowances include a fixed amount paid to employees on a monthly basis for the purchase and use of the employee's personal vehicles. An advantage of this option is that it reduces employers' liability towards maintenance. Car allowances are also taxable.

#### **Reimbursement**

Reimbursement of petrol expenses as and when an employee uses his or her personal vehicle for work-related travel is another viable option. Compensation for expenses can be made on the basis of mileage, or a fixed monthly amount can be paid.

Reimbursements are exempt from tax and deducted as business expenses.

Defining guidelines for implementation of the auto policy helps employees use vehicles effectively.