

# FRINGE BENEFITS TAX (FBT) CHECKLIST

## Are You Liable for Fringe benefits tax?

Fringe Benefits Tax is a tax imposed on the employer. The FBT tax rate is 46.5%, and is tax deductible for income tax purposes.

The Fringe Benefits Tax year is from 1 April to 31 March.

Fringe Benefits, for FBT purposes, are those non-cash benefits, provided to employees, by their employer, and is provided in respect of employment.

Relevant to many small businesses, but often overlooked is that if you conduct your business through a company or trust, you may be an employee of the company or a trustee. In other words you may be the owner and director of a family company, but you are usually an employee as well.

Listed below are the main FBT categories:

(Extracted from "Fringe benefits tax – a guide for employers" published by the Australian Taxation Office)

### 1. Car fringe benefit

A car fringe benefit commonly arises where you make a car you own or lease available for the private use of an employee. A car is taken to be made available for private use by an employee on any day the car:

- is actually used for private purposes by the employee or associate
- is not at your premises, and the employee is allowed to use it for private purposes
- is garaged at their place of residence, regardless of whether they have permission to use it privately.

As a general rule, travel to and from work is private use of a vehicle.

Private use of a motor vehicle that is not a car may give rise to a residual fringe benefit.

### 2. Debt waiver fringe benefit

A debt waiver fringe benefit arises where you waive or forgive an employee's debt. For example, if you sold goods to an employee and later told them not to bother about paying the amount invoiced for the goods, you have provided a debt waiver fringe benefit.

A debt owed by an employee that you write off as a genuine bad debt is not a debt waiver fringe benefit.

### 3. Loan fringe benefit

A loan fringe benefit arises where you provide a loan to an employee and charge a low rate of interest (or no interest) during the FBT year. A low rate of interest is one that is less than the statutory rate of interest. We (*The ATO*) publish this rate in a tax determination each year, usually in April.

The use of the term 'loan' is quite broad. For example, if an employee owes you a debt but you don't enforce payment after the debt becomes due, the unpaid amount is treated as a loan to the employee. Such a loan commences immediately after the due date, at the rate of interest (if any) that accrues on the unpaid amount.

### 4. Expense payment fringe benefit

An expense payment fringe benefit may arise where you:

- reimburse an employee for expenses they incur
- pay a third party for expenses incurred by an employee.

In either case, the expenses may be business or private expenses, or a combination of both but they must be incurred by the employee.

#### **5. Housing fringe benefit**

If you provide an employee with the right to use a unit of accommodation and that unit of accommodation is the usual place of residence of the employee, the right to use the unit of accommodation is a housing fringe benefit.

A unit of accommodation includes:

- a house, flat or home unit
- accommodation in a house, flat or home unit
- accommodation in a hotel, motel, guesthouse, bunkhouse or other living quarters
- a caravan or mobile home
- accommodation on a ship or other floating structure.

The employee doesn't have to have exclusive use of the accommodation.

#### **6. Living-away-from-home allowance fringe benefit**

If you pay an employee a living-away-from-home allowance, you are providing a living away from home allowance fringe benefit.

For FBT purposes, a living-away-from-home allowance is an allowance you pay to an employee. It is intended to compensate for additional expenses incurred and any disadvantages suffered because the employee has to live away from home to perform employment-related duties. Additional expenses don't include expenses the employee could claim as an income tax deduction.

#### **7. Airline transport fringe benefit**

An airline transport fringe benefit arises where employees of airlines or travel agents are provided with free or discounted air travel on a stand-by basis.

#### **8. Board fringe benefit**

A board fringe benefit may arise if you provide an employee with accommodation and there is an entitlement to at least two meals a day - the meals may be a board fringe benefit.

Examples include:

- meals provided in a dining facility located on a remote construction site, oil rig or ship
- meals provided to a live-in housekeeper or to resident teachers in a boarding school.

#### **9. Entertainment**

The provision of entertainment means the provision of entertainment by way of food, drink or recreation. There is no category of fringe benefit called an entertainment fringe benefit, but the following types of fringe benefits may arise from providing entertainment:

- an expense payment fringe benefit - for example, the cost of theatre tickets purchased by an employee and reimbursed by the employer
- a property fringe benefit - for example, providing food and drink
- a residual fringe benefit - for example, providing accommodation or transport in connection with such entertainment
- a tax-exempt body entertainment fringe benefit (only employers who are exempt from income tax).

#### **10. Tax-exempt body entertainment fringe benefit**

A tax-exempt body entertainment fringe benefit may arise where you incur entertainment expenses and you are wholly or partially exempt from income tax, or don't derive assessable income from the activities related to the entertainment.

Only entertainment expenditure that is non-deductible for income tax purposes can give rise to a tax-exempt body entertainment fringe benefit.

### 11. Car parking fringe benefit

Broadly, a car parking fringe benefit may arise where you provide car parking for an employee at or near their place of employment, and:

- there is a commercial parking station available for all-day parking within a one-kilometre radius of the premises on which the car is parked, and
- that commercial car parking station charges a fee for all-day parking that is more than the car parking threshold.

The car parking threshold is indexed in line with the consumer price index. It is announced each year in a tax determination, usually published in April.

### 12. Property fringe benefit

A property fringe benefit arises where you provide an employee with free or discounted property.

### 13. Residual fringe benefit

Any fringe benefit that is not subject to any of the above categories is called a residual fringe benefit. Essentially, these are the fringe benefits that remain or are left over because they are not one of the more specific categories of fringe benefit.

A residual fringe benefit could include providing services (such as travel, or the performance of professional or manual work) or the use of property.

### Minor benefits

Where a benefit is provided that is infrequent and irregular and the taxable value is less than \$300 (incl. GST), it will be exempt from fringe benefits tax. For a benefit to be considered minor, attention must be given to:

- The frequency and regularity with which similar or identical benefits are provided
- The sum of the value of such benefits provided in the year
- The circumstances in which the benefits are provided, i.e. whether they are provided as reward for services.

### Otherwise deductible rule

The taxable value of a fringe benefit can be reduced to the extent that the employee would be entitled to a “once only” income tax deduction had he/ she purchased the benefit.

### Exempt car benefits

There are circumstances in which private use of a car by a current employee may be exempt from FBT. An employee's private use of:

- a taxi, panel van or a utility designed to carry less than one tonne, or
- any other road vehicle designed to carry a load of less than one tonne (that is, one not designed principally to carry passengers) is exempt if the employee's private use of such a vehicle is limited to
  - travel between home and work
  - travel incidental to travel in the course of performing employment-related duties, and
  - non-work-related use that is minor, infrequent and irregular (for example, occasional use of the vehicle to remove domestic rubbish).

### Contact us!

FBT is a lengthy and complex area of tax. Should you believe you may have an FBT liability please do not hesitate to contact our office on 02 4751 4091.

## FRINGE BENEFITS TAX

### Car fringe benefits

Year ended 31 March 2.....

Make of Vehicle:.....Model of Vehicle:.....

Registration number:.....

Date Purchased:.....

Purchase price (Incl GST):.....

Method of Purchase Cash/Hire purchase/ Chattel Mortgage/ Lease (Circle one)

Monthly payment (if applicable):.....

#### CHOOSE A METHOD

##### Either

##### Statutory method

Odometer reading at start of year (or at date of purchase):.....

Odometer reading at end of year (31 March):.....

Days available for private use:.....

(A car is not available for private use when it is garaged at the employers premises, is in the repair shop for extended periods beyond normal maintenance, it is not available to the employee e.g. while at the airport.)

Amount (\$) of employee contribution:\$.....

##### Or

##### Actual Cost Method (Log Book Method)

% amount of business use as per the log book:%.....

Date log book was recorded:.....

(Log books may be valid for 5 years)

Actual operating costs (Between 1 April and 31 March):

Fuel (incl. GST):\$.....

Repairs and services (incl. GST):\$.....

Registration/ Insurance (incl. GST):\$.....