

FBT– Guide and Further Information

The purpose of this attachment is to provide information regarding Fringe Benefits Tax (FBT) to help you to identify fringe benefits you have or may have provided to your employees. We can then help you to reduce your potential exposure to penalty taxes and interest if you have inadvertently overlooked an FBT liability.

We will be happy to provide further information and also refer you to the Australian Taxation Office publication “Fringe Benefits Tax – A Guide for Employers”.

The following is an explanation of the major types of benefits that are potentially provided in everyday business dealings. Please note that each type of benefit described has various inclusions, exclusions and exemptions that can't be explained in detail here. However, they can be considered once we have identified whether a particular type of benefit has been provided.

Motor Vehicles

Motor vehicles are by far the most common fringe benefit. This type of benefit arises where an employer's car is used by an employee for any private purposes, notwithstanding that the vehicle is also used for business purposes. Generally, this situation arises where an employee is provided with a vehicle for travel between home and work or uses a vehicle for any other private use.

The Fringe Benefits Tax Assessment Act (FBTAA) allows two methods for calculating the taxable value of the motor vehicle fringe benefit:

- Statutory Formula Method
- Operating Cost Method (also known as Logbook Method)

We recommend providing us with details to calculate the taxable value under both the above methods; this then enables us to choose the method which gives you the best result for FBT purposes.

The statutory formula method calculates the taxable value based on a set formula which takes into account, i) the cost of the car, ii) the number of days provided. If there is a pre-existing commitment in place, before 7.30pm AEST on 10 May 2011, the number of kilometres travelled (odometer readings at start and end of FBT year) is required.

The record keeping for the operating cost method is much more onerous than the statutory formula method as a valid logbook is required to be kept, but this can, in many circumstances, achieve a lower FBT result. The taxable value is calculated by applying the log book percentage against the costs of operating the vehicle for the FBT year.

Even after we have done all the calculations, we may reduce the taxable value of the fringe benefit to nil through employee reimbursements or contributions (e.g. employee pays for petrol, post-tax contribution from wages). In the case of employee shareholders, this is usually performed by way of a journal entry against their loan accounts.

Car Parking Fringe Benefits

A car parking fringe benefit arises only if all of the following conditions are satisfied:

- A car is parked at premises that are owned or leased by or otherwise under the control of, the provider (usually the employer).
- Within a one-kilometre radius of the premises on which the car is parked, there is a commercial parking station that charges a fee for all-day parking, which is more than the car parking threshold (\$10.77 for FBT 2025 year).
- The car is parked for a total of more than four hours between 7.00am and 7.00pm on the day.
- The car is owned by, leased to, or otherwise under the control of, an employee, or is provided by the employer.
- The parking is provided in respect of the employee's employment.
- The car is parked at or near the employee's primary place of employment on that day.
- The car is used by the employee to travel between home and work (or work and home) at least once on that day, and
- The commercial parking station referred to above must also, at the beginning of the FBT year, charge a representative fee for all-day parking that is more than the car parking threshold.

Small Business Concessions for car parking benefits

If you are a small business employer, car parking benefits you provide are exempt if:

- The parking is not provided in a commercial car park.
- You are not a government body, a listed public company, or a subsidiary of a listed public company, and either:
- You were a small business entity for the last income year before the relevant FBT year, or
- Your gross total income for the last income year before the relevant FBT year was less than \$10 million (aggregated turnover was less than \$50 million). For this purpose, your income includes ordinary income and statutory income as defined in the Income Tax Assessment Act 1997; that is, total gross income before any deductions.

Loan Benefits

A loan fringe benefit arises where an employer makes a loan to an employee, including a director. For these purposes a “loan” includes:

- Advance of money
- Provision of credit
- Payment of an amount on behalf of another person where that person has an obligation to repay

The focus of this type of benefit is on directors or shareholders “debit” loan balances with their companies. A “debit” loan balance is where the director owes the company money. If your loan account has gone into debit at any time during the FBT year we will have to obtain details of the movements to calculate the statutory interest.

A general ledger printout of the loan account gives us most of the information to enable us to do the calculations. We may already have prepared some accounts for you during the year and have details of these movements. Alternatively, these details may need to be compiled now.

If these loans are used for income producing purposes (e.g. you have borrowed money from the company to buy shares) there will be no taxable fringe benefit but we will still need to do the calculations for substantiation purposes. If interest is already being charged on the loan (e.g. a loan to an employee) then we will need the interest rate charged or the actual amount of interest in order to calculate the taxable fringe benefit.

Note: A loan of property is not a loan benefit; this is defined as a “residual benefit”, which is discussed in a later section.

Debt Waiver Benefits

A taxable benefit arises where an employer releases an employee from a debt. The taxable value is the amount waived, so therefore we will require this information if applicable.

Expense Payment Benefit

An expense payment benefit arises where an employer pays or reimburses private expenses incurred by employees, including directors.

The following types of expenses comprise expense payment fringe benefits:

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| • Children's school fees | • Home office computers |
| • Private telephone | • Rates and land taxes accounts |
| • Electricity, gas (heat & | • Medical and health benefits power) |
| • Insurance premiums | • Travel/credit cards |
| • Drivers licence | • Mortgage/loan payments |
| • Holiday transport | • Other - please ask us if you have any queries |

In most cases, where the employee would have been allowed a “once only” tax deduction for the expense if the employer had not paid or reimbursed it, then the taxable value is reduced to the extent it is deductible.

We will need the following details in relation to expense payment fringe benefits:

- The name of the employee for whom it was paid
- The date, nature and amount of the payment
- The extent to which, if any, that the payment is tax deductible to the employee

Note: Any item for which depreciation will be claimed is excluded from being a once only deduction.

Housing Benefits

A housing fringe benefit arises where an employer provides an employee a right to occupy or use accommodation as a usual place of residence. This accommodation includes the following:

- House, flat, unit, hotel, motel, guesthouse, bunkhouse, ship, oil rig, caravan or mobile home.

If the accommodation cannot be described as the employee's usual place of residence then the benefit will not be a housing benefit, but will be a residual benefit.

Note: Accommodation whilst travelling on business will definitely not be a housing benefit. Depending on the circumstances, expenditure of this type will be fully tax deductible.

Living Away From Home Allowance (LAFHA) Benefits

A living away from home allowance benefit arises where an employer pays an employee an allowance to compensate for additional expenses or disadvantages suffered because the employee was required to live away from their usual place of residence for employment purposes. The 'rule of thumb' being over 21 continuous days and over 90 days in total in the FBT year.

The following requirements must generally be satisfied:

- The employee was required to live away from their usual place of residence;
- The employee must be paid an allowance in addition to salary;
- An allowance must be paid in respect of employment;
- An allowance was paid to compensate the employee for additional non-deductible expenses and other living disadvantages incurred because the employee is required to live away from home to perform employment duties.

Unless all four of these conditions are satisfied the amount paid to employees is assessable to them as a normal allowance. The extent to which a LAFHA benefit is subject to FBT will be determined on the basis of the facts, so please provide as much information as you can about such an arrangement if you think it applies to you.

Property Benefits

A property benefit arises when an employee is provided with property, free or at discount, by an employer. Property includes goods, real property such as land and buildings and 'choses in action' (refer to the publication Fringe Benefits Tax – A Guide for Employers NAT 1054) such as shares and bonds.

If you have provided employees with any goods during the FBT year please provide as many details as possible (i.e. what was provided) to determine whether a fringe benefit has been provided.

Food and drink consumed by current employees on a working day on the employer's premises is an exempt property fringe benefit.

Note: Property is provided when the ownership passes. If ownership does not pass (e.g. the employee used the property for a time) then this would be classified a residual benefit.

Entertainment

This is one of the most complex areas of tax law. Depending on the type of entertainment provided and the circumstances in which the benefit was provided, the entertainment could be one of a number of types of fringe benefit discussed in this attachment. However, at this stage we are only asking you to determine whether you potentially paid an expense which could be classified as entertainment. An employer is providing entertainment where the employer provides, pays or reimburses expenses incurred in providing entertainment by way of **food, drink or recreation**, or **accommodation or travel** to do with providing entertainment by way of food, drink or recreation.

Meal Entertainment Fringe Benefits

A meal entertainment fringe benefit consists of entertainment where food and drink are provided, travel and accommodation in connection with the entertainment are also included.

The taxable value can be calculated as follows:

- Election to use the 50/50 split method or
- "12 week register method"
- If no election is made, the Actual expenditure is used

We will generally calculate the Fringe Benefit Tax implication under the 50/50 method and the Actual method to determine which gives the best FBT result.

Generally, sustenance expenses are not meal entertainment fringe benefits. These include:

- Staff amenities
- Morning and afternoon tea items
- Deductible travel away from home relating to local or overseas travel
- Eligible in-house meals
- Food and drinks provided at a seminar

We only require you to provide details that would give rise to a fringe benefit; however, it also gives us the opportunity to determine whether items of entertainment are tax deductible. Giving us more details about these transactions will aid us in completing your year-end tax returns.

To help us determine the FBT consequences please provide us with the following details:

- How many employees, family members or clients were involved?
- The situation - was it on the employer's premises, was the employee travelling on business etc?
- The amount of the expenditure involved and whether any of this expense was reimbursed.

Residual Fringe Benefit

Essentially, any other benefits you may have provided to employees in respect to their employment are covered by residual fringe benefits. Examples of residual fringe benefits are free or discounted services, such as travel or performance of work, the use of property and the provision of insurance coverage. The provision of vehicles other than cars, (e.g. hire taxis, rental cars, trucks and motor cycles) also fall under this category.

Please contact us if you wish to discuss any potential residual benefits you may be providing to employees.

Exempt Benefits

The FBTA has various exemptions relating to every category of fringe benefits. They are not all covered here, however please note the following tax deductible, but FBT exempt, items an employer may provide to an employee, called "eligible work-related items" provided it is used primarily in the employee's employment.

The "eligible work-related items" include:

- A portable electronic device
- An item of protective clothing
- A tool of trade
- An item of computer software
- A briefcase

An above item is not an eligible work-related item if, earlier in the FBT year, an expense payment benefit or a property benefit for the employee has been made in relation to another item that has substantially identical functions to one purchased later, unless it is a replacement item.

An eligible work-related item cannot be provided to an associate of the employee.

FBT Exemption on Electric Vehicles

Employers are now able to provide a qualifying electric car to a current employee (or their associate) that is FBT-exempt. However, note that the grossed-up taxable value of the FBT-exempt electric cars are still reportable for income statement (payment summary) purposes.

There are a number of conditions that must be satisfied to access this FBT exemption.

Where the electric vehicle is provided under a lease arrangement, an employer or lessor will only be providing the employee with a car benefit if it is a bona fide car leasing arrangement. The electric vehicle must be both held and used for the first time on or after 1 July 2022. The value of the electric car must be below the LCT threshold for fuel efficient vehicles at the time it is first sold in a retail sale, and in any subsequent sale.

The vehicle must be a car. A car is a motor vehicle (excluding motorcycles, scooters and similar vehicles) that is designed to carry a load of less than one tonne and 8 or less passengers (including the driver).

The car must also be a zero or low emissions vehicle. For FBT purposes, a zero or low emissions vehicle is a:

- battery electric vehicle,
- hydrogen fuel cell electric vehicle, or
- plug-in hybrid electric vehicle (from 1 April 2025, this will not be considered a zero or low emissions vehicle under FBT law).

The 'electric vehicle home charging rate' is 4.20 cents per kilometre from 2023 FBT year onwards.