

31 March 2023

Dear Client,

Re: Immediate Action Required – Fringe Benefits Tax

The Fringe Benefits Tax (“FBT”) year ended on 31 March 2023 and each employer is required to calculate their liability for FBT. Where a liability for FBT exists, an annual return is required to be lodged and any tax paid by 21 May 2023. However, if the return is lodged electronically by a Tax Agent the due date of lodgement and for payment is 25 June 2023.

Where an employee reimburses their employer for the value of a taxable fringe benefit(s) provided to them (thereby reducing the FBT liability to nil) there is no requirement to lodge an annual FBT return. However, we strongly advise lodging a nil return in these instances as this starts the time period in which the ATO can challenge your FBT assessment. Where no FBT annual return is lodged, the ATO have no time limit and can raise an FBT assessment at any time. As with all tax lodgements, appropriate documentary evidence must be maintained. Where FBT reimbursements are paid by the employee to the employer they are subject to GST and 1/11th of these amounts must be disclosed on your business activity statement for the quarter in which the reimbursement is received. We will advise you of any such amounts, where applicable, when we prepare your FBT return.

To assist you in understanding your FBT obligations we enclose the following:

1. An update of the main changes during the year, which you may need to consider when determining your FBT liability.
2. A summary of taxable benefits typically provided to employees, in order to assist you in determining whether you may be providing such benefits to your employees.
3. A summary of the on-going income statement reporting obligations.

We remind you that where motor vehicles are provided to employees or their associates for their private use, **odometer readings must be recorded as at 31 March each year for each motor vehicle.** We enclose a form which should be used to record this information. Also included is a form for your completion in respect of entertainment expenditure. We require this information in order to assist in the calculation of your FBT liability, if any.

If you have any queries in respect of your potential FBT liability or would like StewartBrown to perform a FBT ‘health check’ on your business, please contact one of the StewartBrown Managers or Partners to discuss.

Yours faithfully,

StewartBrown
Chartered Accountants

CLIENT NEWSLETTER
FRINGE BENEFITS TAX ("FBT") UPDATES - 31 MARCH 2023

INTRODUCTION

There have been only a few small changes in the FBT legislation this year, which are summarised below. In addition, depending upon your circumstances there may still be some specific COVID-19 related concessions available, some of which are noted below.

2023 FBT YEAR – RATES AND THRESHOLDS

	2024 rates	2023 rates	2022 rates
FBT rate	47%	47%	47%
Gross up rates -Type 1	2.0802	2.0802	2.0802
-Type 2	1.8868	1.8868	1.8868
Interest rate on loan fringe benefits	TBA	4.52%	4.52%
Car parking benefit threshold	TBA	\$9.72/day	\$9.25/day

2023 Living Away from Home Allowances:

ATO guidelines (excerpt) for reasonable food and drink-within Australia

	\$ Per week
One adult	289
Two adults	434
Three adults	579
One adult and one child	362
Two adults and one child	507
Two adults and two children	580

ELECTRIC VEHICLE DISCOUNT

Probably the biggest change to FBT this year will be in relation to electric vehicle discounts, which will provide an FBT exemption for electric cars (and their associated running expenses) that are used or made available to employees for private use, provided the relevant requirements are met.

To be eligible for the FBT exemption:

- The employee receiving the benefit must be a current employee
- The car is a zero or low emission vehicle
- The value of the car at first retail sale must be less than the Luxury Car Threshold for fuel efficient vehicles (\$84,916 for 2022-23)
- The car must be first held for use on or after 1 July 2022

It should be noted that even though these benefits will be exempt from FBT, they will still need to be reported on the employees Income Statements as reportable fringe benefit amounts. The taxable value will need to be calculated as though the exemption did not apply.

COVID-19 CONCESSIONS

COVID-19 Assistance and Benefits

Where emergency assistance is provided to an employee at risk of being adversely affected by COVID-19, FBT is unlikely to apply. This includes food and temporary accommodation where employees were unable to travel due to lock downs or were required to self-isolate.

Items provided to employees that protect them from COVID-19 (such as gloves, mask, sanitisers) will be exempt, providing they're in proximity to customers or clients, or involved in cleaning premises.

Flu vaccines & COVID-19 testing are exempt where they are provided by qualified medical practitioners and nurses, and available to all employees. From 1 July 2021, the costs of taking a COVID-19 test to attend a workplace have been deemed tax deductible for individuals. This ensures that FBT will not be incurred by employers where COVID-19 tests are provided to employees for this purpose.

Car Parking and Car Benefits

When using the operating cost method (maintaining a valid logbook), if cars were garaged at the employee's home during the COVID-19 pandemic and not driven, or driven minimally, the car will be deemed 'not held for private use' when calculating the taxable value. The ATO also accepts that where an employee's driving patterns have changed, they may use their existing logbook to estimate their business use percentage.

The closure of the work car park, and the closure or reduced rates of car parking, may reduce the FBT liability. Employers should carefully consider the method with which they calculate the taxable value.

OTHER UPDATES & CONSIDERATIONS

Guidelines for Exempt Vehicle Benefits (i.e. commercial vehicles)

Many employers incorrectly believe that there is no FBT liability to consider for commercial vehicles (e.g. panel vans, utility or other commercial vehicles not designed principally to carry passengers). This is not the case.

The ATO guidelines state that private use of these vehicles must be restricted to travel between home and work (and back) and that any diversion in travel must add no more than 2km's to the journey (e.g. picking up kids from school etc). In addition, the vehicle must not travel more than 1,000kms per year (previously 750km) in private usage (e.g. holidays) and no single journey for private purposes can exceed 200km's. If the vehicles private usage exceeds these guidelines an FBT liability may arise.

If you have provided commercial vehicles to employees we strongly encourage you to speak with us concerning your potential FBT liability for these vehicles.

Audit Spotlight

The latest ATO statistics estimates that there is an annual FBT tax gap of over 1 billion dollars, being the difference between the amount expected to be collected and the amount actually collected. The ATO have officially confirmed they will be focusing on the following areas:

- Documentation and declarations – ensuring their completeness & validity
- Car parking benefits
- Car benefits especially calculation of taxable benefits and exemption entitlements
- Expense payment benefits
- Employers providing entertainment to employees and claiming deductions in tax returns for entertainment expenses without reporting and paying FBT

Small business definition for FBT purposes

The \$10m turnover threshold for certain small business concessions has increased to \$50m. Eligible employers are now able to:

- provide FBT-exempt car parking benefits on the employer's premises; and
- provide multiple portable electronic devices for predominately work-related purposes.



FRINGE BENEFITS TAX ("FBT") SUMMARY OF TAXABLE BENEFITS TYPICALLY PROVIDED 31 MARCH 2023

The purpose of the following summary is to highlight the most common types of taxable fringe benefits provided by employers to their employees (or to an associate of an employee) in order to assist our clients in determining whether they may have incurred a FBT liability.

As you would appreciate, the FBT rules are complex, and consequently this summary is not intended to be all-encompassing and has been simplified in the interests of readability. If you are in any doubt as to whether you are providing a taxable fringe benefit, please contact one of the Managers or Partners of StewartBrown to clarify the matter.

1. CAR BENEFITS

When does a car benefit arise?

A car benefit arises when a vehicle is owned, leased (including a novated lease) or otherwise made available by an employer for the private use of an employee or an associate of the employee.

A car for FBT purposes is defined as:

- a motor vehicle (including a four-wheel drive), station wagon, panel van, utility (ute) or similar vehicle designed to carry a load of less than one tonne; or
- any other road vehicle designed to carry a load of less than one tonne or fewer than nine passengers.

A motorcycle is not regarded as a car for FBT purposes.

A vehicle not meeting the above definition can still give rise to a FBT liability where it is provided to the employee for private use other than work related travel or minor, infrequent or irregular use.

A car is deemed to be available for the private use of an employee on any day when:

- it is actually used for private purposes by the employee;
- it is garaged at or near the employee's residence; or
- it is not at the employer's premises and the employee has the use, custody and control of the car.

How is the value of a car benefit determined?

The taxable value of car benefits can be calculated using either of two available methods: the statutory formula method or the operating cost method.

The record keeping requirements are less onerous under the statutory formula method, which is the major reason why over 70% of all car benefits are calculated on this basis. Under this method the taxable value is calculated using the base value (including any GST) of the car multiplied by the "statutory fraction" which is now set at 20%.

The disadvantage of using the statutory formula method is that, in certain cases where the business use is high, it results in a higher FBT liability when compared to the liability calculated using the operating cost method.

Under the operating cost method, the taxable value of the car benefit is calculated by multiplying the GST inclusive operating costs of the car by the private use percentage of the car. This private use percentage is calculated primarily by reference to a properly maintained logbook, as well as to odometer and car records, and after having regard to variations in the pattern of business usage throughout the year.

Factors that may influence the private use include holidays, seasonal fluctuations and variation in employment duties. Operating costs typically include petrol, insurance, registration, repairs, service, depreciation and imputed interest (if owned) and lease payments (if leased).

For a car benefit to be calculated using this method it is imperative that a logbook be maintained strictly in accordance with the requirements under the FBT Act. Failure to maintain a complying logbook will result in the business use percentage being treated as 'nil'. In this case the taxable value will be either 100% of the operating costs of the car for the year or the value which would have applied had the statutory formula method been adopted, whichever results in the lower taxable value.

Logbook requirements

For the first year in which the operating cost method is used a logbook recording each business journey must be kept for a minimum continuous period of at least 12 weeks at any time in the year. The 12-week period may overlap two tax years. Odometer records must also be kept showing the odometer reading of the car at the beginning and end of the 12-week period.

The logbook must include for each business trip:

- (i) the date the trip began and ended; and
- (ii) odometer readings at the start and end of the trip; and
- (iii) kilometres travelled on the journey; and
- (iv) the purpose of the trip.

The record must be made at the end of the trip or as soon as possible afterwards and must be kept in English. The logbook can also be kept electronically via a spreadsheet. Where two or more business journeys are made consecutively during the one day, only one logbook entry for that day is required.

In addition, the logbook must contain the following information:

- (i) when the 12-week period began and ended; and
- (ii) odometer readings at the beginning and end of the period; and
- (iii) total number of kilometres travelled during the period; and
- (iv) total number of business kilometres travelled during the period on trips recorded in the logbook; and
- (v) percentage of business kilometres to total kilometres.

These records must also contain details of the make, model, registration number and engine capacity of the car.

Generally, a new logbook will not have to be prepared until five years has passed, unless specific rules require a new logbook to be kept earlier. However, odometer records must be kept at the beginning and end of each FBT year to establish total kilometres travelled in the car during each year, as well as to record the estimate of business kilometres and the business use percentage for each year.

We recommend that any client who is utilising an existing logbook review it for completeness. For those clients who are required to complete a new logbook we advise that pro-forma logbooks can be obtained from our office or from most newsagencies or stationers. The ATO also has approved Apps that you can use on your phone or other digital device.

Electric vehicle discount

Probably the biggest change to FBT this year is in relation to electric vehicle discounts, which provide an FBT exemption for electric cars (and their associated running expenses) that are used or made available to employees for private use, provided the relevant requirements are met.



To be eligible for the FBT exemption:

- The employee receiving the benefit must be a current employee
- The car is a zero or low emission vehicle
- The value of the car at first retail sale must be less than the Luxury Car Threshold for fuel efficient vehicles (\$84,916 for 2022-23)
- The car must be first held for use on or after 1 July 2022

Vehicles meeting the definition of a car are classified as zero or low emission if they are:

- Battery electric vehicles
- Hydrogen fuel cell electric vehicles
- Plug-in hybrid electric vehicles (only until 31 March 2025)

Eligible cars ordered prior to 1 July 2022 but delivered after that date and second hand eligible cars first purchased new on or after 1 July 2022 will qualify for the exemption.

It should be noted that even though these benefits will be exempt from FBT, they will still need to be reported on the employees Income Statements as reportable fringe benefit amounts. The taxable value will need to be calculated as though the exemption did not apply.

2. MEAL ENTERTAINMENT BENEFITS

A meal entertainment fringe benefit generally arises where an employer provides a fringe benefit to an employee by way of:

- provision of food or drink;
- travel or accommodation in respect of such entertainment; or
- the reimbursement or payment of expenses incurred in providing the above.

FBT is only payable on the portion of the meal that relates to employees and their associates. The portion relating to non-employees is not subject to FBT but is not tax deductible. GST input tax credits can be claimed in respect of the employee related expenditure only, with the non-employee GST component being treated as a non-tax deductible expense. The FBT taxable value is the GST inclusive value.

As **non-salary sacrificed** meal entertainment often covers both employees and non-employees, the employer is given a choice of three methods in determining the allocation between these two groups, as follows:

- 50/50 split method – FBT is only payable on 50% of the employer's total meal entertainment expenditure irrespective of who is being entertained. The advantage of this method is that it is simpler to use and may reduce compliance costs. The disadvantages of this method are that **NO** FBT exemptions apply (e.g. the minor benefit exemption and the property benefit exemption) and if the actual non-employee portion exceeds 50% employers will pay approximately 30% extra FBT for each \$1 of non-deductible client entertainment;
- Twelve week register method - a register is maintained for a continuous twelve week period to determine an indicative allocation between employee and non-employee entertainment, which is then applied to the year's total meal entertainment. This register, subject to certain qualifications, can be used annually up to a maximum of five years. If the total meal entertainment expenditure in an FBT year increases by more than 20% over the previous year the register can no longer be used and a new register must be maintained; or
- if no election is made to adopt either of the above methods the actual expenditure method must be used. This will require an analysis of all meal entertainment, dissecting each item of expenditure between employees and non-employees. The major disadvantage of this method is that it is time consuming and may result in additional compliance costs. A register with an identity of the attendees must be maintained to justify the calculations under this method.

Clients should also note that meals consumed by travelling employees (away overnight on business) are generally regarded as sustenance, not entertainment, and remain tax deductible and are not subject to FBT. It is crucial however to correctly identify what is 'entertainment' as the income tax, FBT and GST implications of incurring non-entertainment expenditure are very different.

All FBT-taxable employers are required to value **all salary-packaged meal entertainment** and Entertainment facility leasing expenses ("EFLEs") benefits under the **actual method** only. As such, the 50/50 split and twelve week register method are not available for use when valuing these benefits that are provided under a salary-packaging arrangement.

Employers who allow employees to salary-package meal entertainment or EFLEs will need to follow the three steps below when calculating their FBT liability for these types of benefits for the **2023** FBT year:

- Step 1: Calculate any FBT payable on non-salary-packaged meal entertainment
- Step 2: Calculate any FBT payable on non-salary-packaged EFLEs
- Step 3: Calculate any FBT payable with respect to salary-packaged meal entertainment or EFLEs (under the actual method)

It is also important to note that employers who provide employees with salary-packaged meal entertainment or EFLEs will generally be **unable to apply the minor benefit exemption** under S.58P of *Fringe Benefits Tax Assessment Act 1986*.

OTHER ENTERTAINMENT BENEFITS AND CORPORATE SPONSORSHIPS

Many corporate sponsorships are simply treated by businesses as legitimate advertising expenditure, where the expenses are claimed as being fully tax deductible for income tax purposes and not subject to FBT. However, many of the 'non-advertising benefits' that are a part of sponsorship contracts and are passed onto employees (or associates) can be entertainment in nature and may give rise to an FBT liability.

Other entertainment benefits (e.g. provision of sporting and theatrical tickets) provided to employees or their associates are generally subject to FBT. The taxable value of such benefits must be calculated using the actual expenditure method.

3. CAR PARKING BENEFITS

Car parking facilities provided to an employee may give rise to a car parking benefit. However, benefits provided by certain not-for-profit bodies such as religious, charitable, scientific or public educational institutions are exempt from FBT. In addition, a limited exemption for certain car parking provided by small businesses is also available where:

- the parking spaces are provided on the employer's premises, which is not a commercial car parking station; and
- either the gross income of the business was less than \$50 million or the business was an eligible small business entity (SBE) in the last income year before the FBT year.

The exemption is not available to:

- a public company nor a subsidiary of a public company on the day on which the benefit is provided; or
- a government body, e.g. government departments or agencies.

Should the above exemption criteria not be satisfied a car parking benefit may arise when the employer provides car parking facilities for the employee.

For a parking benefit to arise all the following specific tests must be met:

- the car is parked on or at the business premises of the employer;
- a commercial car parking station is located within a 1km radius of the premises;



- the total duration of the period or periods parked exceeds four hours between 7am and 7pm on a particular day;
- the car is owned, leased or otherwise under the control of the employee or it is provided by the employer;
- the parking is provided in respect of the employee's employment;
- the car is parked at, or in the vicinity of, the primary place of the employee's employment on that day;
- the car is, on the relevant day, used in connection with home to work travel of the employee; and
- the lowest fee charged by the operator of any such commercial parking station in the ordinary course of business to members of the public for all day parking on any day during the FBT year is more than **\$9.72**.

Clients should also note that the reimbursement of car parking costs incurred by an employee personally is not an exempt fringe benefit. Such reimbursements are treated as expense payment fringe benefits.

The various methods of calculating the taxable value of parking benefits can be obtained from StewartBrown if such benefits have been provided.

From 1 April 2022, the ATO's view of what is a commercial car parking facility has been widened to include hospital, university, airport and shopping centre car parks.

4. LOAN BENEFITS

A loan fringe benefit generally exists where an employee enjoys a low (or no) interest loan provided by the employer in respect of the employee's employment. A low rate of interest is one which is less than the prescribed statutory rate of interest (**4.52%** per annum for the year ending **31 March 2023**).

A loan includes an advance of money, the provision of credit, the payment of an amount on account of the employee where there is some sort of obligation for repayment, or any other transaction that in substance affects a loan.

The taxable value of a loan benefit is the difference between the notional amount of interest calculated at the statutory rate of **4.52%** per annum for the year ending **31 March 2023** and any interest actually charged or accrued, calculated on the daily balance of the loan.

Where the employee uses all or part of the loan for income producing purposes the taxable value of the loan benefit may be reduced.

As a general principle, loans should not be made by a private company to an employee (or their associates) who is also a shareholder of the company. New loans to such employees from 4 December 1997 are not subject to the FBT rules. Rather, such loans may automatically be deemed to be unfranked dividends paid to the shareholder/employee, unless certain strict repayment criteria and documentation requirements are satisfied. Extreme caution must be exercised when a private company intends to advance monies to, or pay expenses on behalf of, its shareholders.

5. DEBT WAIVER FRINGE BENEFITS

A debt waiver fringe benefit arises when the employer forgives an employee's debt to the employer. Any amount written off as a genuine bad debt is not a taxable fringe benefit.

6. EXPENSE PAYMENT BENEFITS

An expense payment fringe benefit arises when the employer pays or reimburses expenses incurred by an employee, e.g. personal subscriptions, school fees, mortgage repayments, telephone expenses etc.

The taxable value of the expense payment benefit is generally the amount of the expenditure incurred by the employee which is paid or reimbursed by the employer.

The taxable value of this benefit will be reduced where the employee could have obtained a once-off income tax deduction in the year the expenditure was incurred had they personally paid the outgoing. Any such reduction should be supported by an appropriate declaration from the employee, along with the basis of the reduction and the relevant documentary evidence.

7. PROPERTY BENEFITS

A property benefit arises where an employer or an associate of the employer provides property to an employee or an associate of the employee free or at a discount. For FBT purposes property includes goods and services, real property, shares etc.

The taxable value of property benefits depends on whether the benefits provided are “in-house” (e.g. where the property is of a sort normally sold by the employer) or general property benefits.

The method of calculating each type of property benefit can be obtained from StewartBrown, if such benefits are provided.

8. BENEFITS PROVIDED BY ASSOCIATES OR THIRD PARTIES

A taxable fringe benefit can arise even if the employer does not provide the benefit directly to their employee but rather through an associate or a third party. A benefit provided by an associate of the employer is subject to FBT in the same manner as if the employer had provided the benefit themselves.

Similarly, a benefit provided by a third party under an arrangement with the employer is taxable if the employer knew or ought reasonably to have known that the third party was doing so because there was an arrangement between the employer and the arranger or because the employer participated in or facilitated the provision of the benefit.

9. OTHER SPECIFIC BENEFITS

Below are a number of other specific benefits less frequently provided by employers. Further details on the method of benefit calculation and record keeping requirements can be obtained from this office if relevant:

- Housing fringe benefits; or
- Living away from home allowances; or
- Airline transport benefits; or
- Board benefits.

10. RESIDUAL BENEFITS

A residual fringe benefit is any fringe benefit not covered by any other specific fringe benefit rules. The only criteria for such a benefit are that there must be some item that can be identified as a benefit, and that the necessary employment relationship exists.

Examples of residual benefits include motor vehicles other than cars, a computer located at the employee’s premises that has some private usage, travel, performance of professional work or the provision of insurance coverage.

EXEMPT BENEFITS

Employers can provide certain work-related items to employees without attracting an FBT liability, including:

Mobile phones

Private use of mobile phones by employees (not associates) is exempt from FBT where the phone has been provided primarily for use in the employee’s employment. In determining whether the provision of a mobile phone meets this criteria it is necessary to consider the nature of the ongoing actual use of the phone, using the following guidelines:



- The reason the phone was provided to the employee;
- How the use of the phone relates to the employee's employment duties;
- The type of work performed by the employee;
- The employers' private use policy; and
- The percentage of business and private use of the phone.

Where the phone is deemed not to have been provided primarily for use in the employee's employment, FBT will be payable on the private usage, as determined by reference to a logbook of usage over a minimum of one continuous month per year.

Portable electronic devices

A portable electronic device has the following characteristics:

- easily portable and designed for use outside an office environment;
- small and light and operated without an external power supply; and
- designed as a complete unit.

This includes tablets, mobile phones, PDA's, notebooks/laptops, portable printers and other technological devices such as GPS navigation receivers.

All eligible work-related items acquired must satisfy the "work use" test. This test requires the item to be primarily used in the employee's employment before they can qualify for the exemption.

The FBT exemption is currently limited to one item per employee per FBT year for items with substantially identical functions (but see SBE exemption below). An exception to this restriction is if the original item purchased during this FBT year is replaced due to the item being lost, stolen or destroyed, or needs updating due to recent developments in technology. In this instance, the exemption will apply to both items.

For small business entities ("SBE") an FBT exemption is granted for multiple portable electronic devices provided to the same employee, even if those devices have substantially identical functions. (Generally speaking, to qualify as a SBE, the employer must have a turnover of less than \$50m).

Taxi travel

Taxi travel paid by an employer for an employee is an exempt benefit if that travel is a single trip which either begins or ends at the employee's place of work and is infrequent or irregular. The exemption now also applies to ride-sharing services (e.g. Uber etc.). The **minor benefit exemption** may still apply to avoid any FBT liability.

Long service award benefits

A long service award benefit (e.g. watch, pen, jewellery, gift voucher) provided to an employee with over 15 years of service is exempt from FBT, up to the threshold amount. The threshold amounts for the year ending **31 March 2023** are \$1,000 for the first 15 years of service and \$100 for each additional year of service. For example, if an employee with 20 years service is provided with a watch up to the value of \$1,500 (including GST), the benefit would be exempt from FBT. However, if the cost of the benefit exceeds \$1,500, the entire amount is subject to FBT.

Other exempt benefits

Examples include a briefcase, calculator, tools of trade, computer software or items of protective clothing where the "work use" test is satisfied. An exemption also applies for the first \$1,000 of in-house benefits (i.e. benefits where the goods are sold by the employer in their ordinary course of business) excluding those that are salary packaged.

Exemptions are also available on the relocation of employees and the provision of minor or infrequent benefits which are less than \$300 in value (depending on the valuation method used).



SUMMARY

The purpose of the above summary is to highlight the most common types of fringe benefits provided by employers and to assist our clients in determining whether they may be providing taxable fringe benefits. This summary is not to be used as a substitute for specific taxation advice.

The record keeping requirements in respect of the various types of benefits can be onerous, however it is imperative that such records be maintained. The ATO undertakes continuous audit programs and has devoted more time and money in recent years to specifically target employers not meeting FBT guidelines.

Various types of benefits require specific documentary evidence. When we prepare your FBT return we will assist you with the preparation of the relevant elections/declarations.

Given the complexities of the legislation it is not possible to cover all aspects of FBT in this summary. If you have any queries in respect of any matters discussed above, or if you are in any doubt as to whether you may be providing a taxable fringe benefit, please contact one of the Managers or Partners at StewartBrown to clarify the matter.

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FRINGE BENEFITS TAX ("FBT") INCOME STATEMENT (FORMERLY PAYG PAYMENT SUMMARY) REPORTING OBLIGATIONS 31 MARCH 2023

Introduction

All employers, including rebatable and FBT exempt employers, are required to keep records that identify the value of certain fringe benefits provided to each employee during an FBT year. Where the value of these benefits exceeds \$2,000 this amount must be included as a "reportable fringe benefits amount" on the employee's income statement for the corresponding income year.

The value of most fringe benefits provided during the **2023** FBT year must therefore be recorded on the employee's income statements for the year ending **30 June 2023**.

Reason for this reporting

The purpose of recording this information on each employee's income statement is to ensure that the reportable fringe benefits amount is taken into account in various income tests used by the ATO and other Government agencies (e.g. Centrelink). The results of these income tests are then used to determine an individual's liability for certain surcharges and other obligations. Examples of where these amounts will be taken into account include:

- Entitlement to deductions for personal superannuation contributions;
- Entitlement to government superannuation co-contributions;
- Entitlement to rebates for spouse superannuation contributions;
- Liability for the Medicare levy surcharge;
- To determine whether a taxpayer has exceeded various HECS or HELP repayment thresholds;
- Determining access to certain government benefits; and
- Determining liability for child support obligations.

The amount recorded as a reportable fringe benefit on the employee's income statement will not be included as assessable income in the employee's personal income tax return. It does however need to be reported on that tax return.

What benefits are excluded from reporting obligations?

Certain fringe benefits are excluded from these reporting obligations. Excluded benefits are:

- **non-salary-packaged** meal entertainment
- car parking
- pooled and shared cars
- remote area benefits
- emergency overseas health care
- **non-salary-packaged** Entertainment facility leasing expenses ("EFLEs")
- overseas living allowance
- benefits to defence force members
- car benefit to emergency services
- private use of unmarked police car
- other benefits provided to police officers
- Security related benefits

In addition, the value of exempt benefits, fringe benefits that have a nil taxable value due to an employee contribution, minor benefits of less than \$300 (depending on the valuation method used) and benefits which are otherwise deductible are not included on employees' income statements.

Please remember that any **salary packaged** meal entertainment and/or EFLEs is a reportable benefit as are electric vehicle discounts.

How the reportable fringe benefit amount is calculated.

1. Employers calculate their annual FBT liability.
2. Break down the value of these fringe benefits by employee, excluding exempt benefits as listed above.
3. Where the value of these individual benefits is \$2,000 or less no amount is to be included on the employee's income statement.
4. Where the value of these individual benefits exceeds \$2,000 an amount must be included as an information item on the employee's income statement.
5. The amount to be included on the employee's income statement is the "grossed up taxable value" of the fringe benefit received. The fringe benefit must be grossed up to take into account both:
 - a) the value of the benefit provided; plus
 - b) the value of the tax saved by the employee by choosing to receive a fringe benefit rather than salary. The legislation assumes that the tax saved by the employee is at the top marginal tax rate plus Medicare levy, being 47%.
6. The calculation required to reflect the reportable fringe benefit amount gross up is:

Individual fringe benefit amount divided by (1 - the FBT rate)

Example

Value of car benefit provided during year ended 31 March 2023	\$10,000
FBT rate	47.00%
Amount to be included on income statement	= \$10,000/(1 - 0.47)
	= \$10,000/.53
	= \$18,867

or, had an employee earned a salary of \$18,867 and paid tax at 47%, they would be left with \$10,000 after tax, being equal to the value of the fringe benefit received.

FBT Year vs Financial Year

The FBT year commences on 1 April and ends on 31 March. The financial year, on which income statements are issued, commences on 1 July and ends on 30 June.

The amount that must be included on an employee's income statement is based on the value of fringe benefits provided during the current FBT year. Therefore, the value of benefits provided during the FBT year ended **31 March 2023** are to be included on the employee's income statement for the year ended **30 June 2023** as part of the Single Touch Payroll Finalisation Report, if not reported throughout the year.

Employees Ceasing Employment During the Year

Where an employee ceases employment during the year there is no requirement to pro-rata downwards the annual \$2,000 fringe benefit limit.

If an employee ceases employment between 1 April and 30 June and has been provided with a fringe benefit in excess of \$2,000 during that period the employer is required to issue them an income statement reporting the reportable fringe benefits amount for that period. For example, if an employee were to resign on **31 May 2023**, their employer is required to issue an income statement for the financial year ending **30 June 2024** which is to include the value of the reportable fringe benefits provided during the period **1 April 2023 to 31 March 2024**.

This income statement will not be issued until the end of the financial year to which it relates, and the departing employee no longer has the legal ability to request their former employer to provide them with an income statement within two weeks of their departure. We recommend that, as a standard termination procedure, employers obtain relevant FBT declarations and motor vehicle readings prior to the final termination payment being released.



Shared Benefits

In the event that a particular benefit is shared between two or more employees (other than a pooled or shared car which is exempt from reportable fringe benefits reporting), the amount must be allocated between the employees so as to reasonably reflect their share of the benefit.

We recommend that you obtain agreement from your employees at this time on a suitable method of apportionment. This will help avoid disputes when the value of the fringe benefit ultimately appears on the employees' income statements.

Accounting to Employees

We recommend that employers provide an annual reconciliation of the "reportable fringe benefits amount" to their employees. This reconciliation would include the following items:

- The income year (e.g. year ended **30 June 2023**);
- The FBT year (e.g. year ended **31 March 2023**);
- The number of days the benefit was provided (e.g. pro-rata or full year);
- The type of benefits provided (e.g. car, expense payment);
- Calculation of non-grossed up taxable value by benefit type;
- Total non-grossed up taxable value; and
- Total reportable fringe benefits (grossed up value).

This procedure will help reduce the likelihood of undetected errors in the value of the reportable fringe benefits amount attributed to individual employees. This is important because the effect of understating a FBT liability not only has consequences for the employer in the form of exposing them to additional tax, fines or penalties, but also potentially exposes the employee, who has inadvertently understated the reportable fringe benefits amount on their income statement, to similar penalties. It is for this reason that particular care must be taken in the valuation of fringe benefits provided during the year ended **31 March 2023** and in the allocation of these benefits to individual employees.

Disclaimer

The above summary is intended to provide clients of StewartBrown with a brief overview of their income statement reporting obligations in respect of reportable fringe benefits and should not be used as a substitute for specific taxation advice. If you have any queries regarding your reporting obligations and record keeping requirements as an employer please contact one of the Managers or Partners at StewartBrown to clarify the matter.

FRINGE BENEFITS TAX – 31 MARCH 2023

ENTERTAINMENT BENEFITS

EMPLOYER NAME:

Background

Entertainment provided by an employer to an employee or associate is tax deductible when also subject to fringe benefits tax. Any amount expended in respect of a non-employee (i.e. customer, supplier, visitor, etc) will remain exempt from FBT, will not be tax deductible and no GST input tax credits can be claimed.

Under the actual entertainment expenditure method, the cost of Christmas parties are normally exempt from FBT where the cost incurred for an employee and/or their family members, is less than \$300 per head per benefit (GST-inclusive).

To assist in the calculation of your FBT liability for entertainment benefits, please provide the following information:

<u>Dissection of Entertainment Expenditure</u>	Period:	
	1/4/22 - 30/6/22	1/7/22 - 31/3/23
<u>Excluding Christmas Parties</u>		
Salary sacrificed meal entertainment:	_____	_____
Salary sacrificed entertainment facility leasing expenses:	_____	_____
Non-salary-packaged:		
Meal entertainment – (employees):	_____	_____
Meal entertainment – (family of employees):	_____	_____
Meal entertainment (other than employees e.g. customers) :	_____	_____
Non-meal entertainment (employees):	_____	_____
Non-meal entertainment (family of employees) :	_____	_____
Non-meal entertainment (other than employees e.g. customers):	_____	_____
TOTAL:	=====	=====
Non-salary-packaged meal entertainment included above which satisfies the minor benefit exemption (i.e. where the GST inclusive benefit is less than \$300 per employee and it is an infrequent or irregular benefit):	=====	=====

FRINGE BENEFITS TAX – 31 MARCH 2023

ENTERTAINMENT BENEFITS

Christmas Parties

Number of persons attending - Employees: _____
- Family of employees: _____
- External parties: _____
- Total: _____

Cost of Christmas Party -

Food & drink: _____

Venue hire: _____

Hire of entertainment for party (e.g. band) _____

Travel and/or accommodation connected with function: _____

Total Cost: _____

Signature

Name

Date

CAR BASE VALUE CALCULATION WORKSHEET FOR THE FBT YEAR ENDED 31 MARCH 2023

Make & model of car _____

Car registration no. _____

Date acquired _____

Odometer reading on acquisition _____

Is the car designed to carry more than 9 passengers or a load of more than 1 tonne, or is it a taxi, panel van or other road vehicle designed to carry less than a load of 1 tonne and not designed principally to carry passengers?

Is the car an eligible electric vehicle?

If so attach registration papers Y/N

Cost price (including GST, regardless of whether input tax credit claimed) ^{*1*2} \$ _____

Less: Employee payment or trade-in, direct to the car dealer \$ _____

Sub total \$ _____

Add: Luxury car tax \$ _____

Dealer delivery charges \$ _____

Non business accessories added at acquisition: ^{*2}

Air conditioning \$ _____

Stereo/CD \$ _____

Customised wheels \$ _____

Cruise control \$ _____

Window tinting \$ _____

Alarm \$ _____

Other - specify _____ \$ _____

Non business accessories added after acquisition: ^{*2} \$ _____

Sub total \$ _____

Less: Expenditure in respect of registration & transfer

Registration \$ _____

Stamp duty on transfer \$ _____

Other - specify _____ \$ _____

Sub total \$ _____

Less: Once only one-third reduction ^{*3} \$ _____

Base value of car for FBT purposes \$ _____

^{*1} The arm's length purchase price of the car, net of any purchase discount (eg. fleet owner's discount).

^{*2} Reduce by any amount paid by employee.

^{*3} This reduction only applies if, at 1 April 2022, the car has been held by the employer for at least 4 full FBT years.

ATTACH A COPY OF THE DEALER'S PURCHASE INVOICE IN THE FIRST FBT YEAR

