# *Fringe Benefits Tax Update and Year-End Reminders*

## *Are you ready for the upcoming FBT compliance season?*

*1 March 2016*

## *In brief*

With the 2015-16 fringe benefits tax (FBT) year-end fast approaching, the time has come to commence preparation for completing your organisation's annual FBT return.

The lead up to the 31 March FBT year-end requires intense planning and appropriate resourcing to ensure the lodgment deadline is achieved.

## *In detail*

Outlined below are some issues employers need to give particular attention to this FBT season to ensure their FBT obligations are appropriately managed.

### *Change in gross up rates from 1 April 2015 – impact on salary packaging*

From 1 April 2015, the FBT rate has increased from 47 per cent to 49 per cent. The increase in the rate is as a result of the introduction of the Temporary Budget Repair Levy imposed on individuals for the 2015, 2016 and 2017 financial years. Accordingly, the new FBT gross up rates from 1 April 2015 are 2.1463 for Type 1 benefits and 1.9608 for Type 2 benefits.

From 1 April 2017, the FBT rate will fall to 47 per cent as a result of the cessation of the Temporary Budget Repair Levy. The gross up rates from 1 April 2017 will be 2.0802 for Type 1 benefits and 1.8868 for Type 2 benefits.

### *Tips and reminders - 2015-16 FBT return*

Some key reminders in relation to preparation of your 2015-16 FBT return include:

- Review your base value calculation process and ensure that all relevant fleet discounts and manufacturer rebates are excluded from the cost price of the car.
- Ensure car base values are reduced by one-third where the employer has held a car for more than four FBT years (as at the beginning of the FBT year).

- Ensure the correct statutory fraction is used for vehicles that were valued under the transitional rules prior to 1 April 2015. As these transitional provisions have now expired, all vehicles previously valued under the transitional rules must use the 20 per cent statutory fraction for this FBT year, irrespective of the total kilometres travelled during the year. The exception to this is for cars provided to employees under a pre-existing commitment.
- Where cars are provided under a pre-existing commitment, you will need to ensure odometer declarations are obtained from the relevant employees to allow the correct statutory fraction to be applied in the calculation of car fringe benefits.
- Consider the operating cost method to potentially reduce the taxable value, and assess whether logbooks, that are maintained to substantiate business use percentages, are valid.
- Ensure correct and timely compliance associated with employee contributions, particularly FBT, goods and services tax (GST) and income tax.
- Ensure the GST inclusive value is used when valuing benefits.
- Review excess prior year post-tax employee contributions, and determine whether they can be offset against current year taxable values.
- Compare and apply the meal entertainment valuation method (50/50 or actual method) which provides the lowest taxable value.
- Locate and apply the lowest daily rate when valuing car parking benefits to potentially reduce the taxable value.
- Consider the 'minor benefit exemption' to reduce your FBT liability on benefits that are less than $300 (GST inclusive) in value, and which are provided on an infrequent and irregular basis. Although this requires additional analysis, the FBT savings across a large workforce can be significant.
- Ensure you have obtained signed declarations where required, to support the treatment of certain benefits in the FBT return (for example, otherwise deductible declarations where there is a combination of business and private use by an employee).
- For employees that are living away from home, ensure that adequate records are kept of employee movements and contract variations. Also, ensure that signed Living Away From Home Allowance (LAFHA) declarations are received before lodgment of the FBT return.
- The FBT exemption for food and accommodation components of a LAFHA are only available (for a maximum of 12 months for each 'assignment') where the employee maintains a home in Australia for their immediate use and enjoyment at all times during the period their duties of employment require them to live away from home and it is reasonable to conclude that the employee will resume living at that place at the end of the assignment period.
- Ensure the correct reasonable amounts for food and drink expenses (refer to Taxation Determination *TD 2015/7*) are used in calculating the exempt food component of a LAFHA , and ensure that appropriate substantiation is provided by the employee in respect of accommodation expenses incurred while living away from home.
- Check that travel diaries are maintained by employees where the travel is either within Australia for more than five consecutive nights and the travel is not exclusively for performing employment-related duties, or for travel outside Australia for more than five consecutive nights.
- For employers that have strict policies in place in relation to private use, employers may wish to consider whether a no-private-use declaration could be signed by the employer to reduce the administrative burden of maintaining travel diaries. The declaration must cover all travel benefits provided to employees where the employer is able to state that the benefits were provided only for employment-related purposes and there was no private portion.

2015-16 FBT returns are generally required to be lodged by 21 May 2016, however, PwC Australia has received an extension of time to lodge returns electronically until 27 June 2016 for all clients on PwC Australia's lodgment program.

### *The takeaway*

Fringe benefits tax is often a complex and time consuming obligation for many employers. In order to ensure you are able to comply with your obligations, it is crucial that you take steps to collate the required documentation as early as possible, to allow the return to be lodged on time with the ATO.

## *Let's talk*

For a deeper discussion of how these issues might affect your business, please contact:


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