

FBT: what you need to know in 2011

The FBT year runs from 1 April to 31 March. FBT is one of those areas that many employers struggle; not because the tax is complex but because of the level of detail required to fulfil your obligations.

We explore:

- ▶ Key FBT issues
- ▶ How do I know if I need to pay FBT?
- ▶ What is exempt from FBT?
- ▶ Useful FBT links

Key FBT issues

Reportable superannuation contributions

Reportable superannuation contributions need to be disclosed on employee payment summaries. The need to report reportable superannuation contributions has been in place since 2010 but it is clear that employers are making mistakes.

Broadly, contributions made by an employer will be captured by these disclosure rules if the employee has had the ability to influence the amount of a super contribution or the manner in which it is contributed. The following are examples of situations in which employers would be required to disclose the contributions on payment summaries:

- ▶ Contributions made under an effective salary sacrifice arrangement in excess of the 9% super guarantee amount;
- ▶ Contributions in excess of the 9% super guarantee amount that are made in accordance with an employment contract or agreement;
- ▶ Contributions that exceed the 9% super guarantee amount and are made to family members who are employed by a family-owned business.

It is important to note that the \$2,000 threshold that normally applies to reporting fringe benefits on payment summaries does not apply to reportable super contributions.

Even though the employee will not be taxed on the amounts reported, they will be taken into account in determining entitlement to certain tax and Centrelink benefits as well as liability for certain tax liabilities such as Medicare levy surcharge.

The 'cost price' of a car

The ATO has recently released a draft ruling dealing with the calculation of car fringe benefits. When an employer provides a car fringe benefit to an employee it is necessary to determine the cost price of the car in order to determine the taxable value of the benefit for FBT purposes.

The draft ruling has confirmed the following key points with respect to the meaning of 'cost price':

- ▶ Dealer delivery charges are included in cost price, but insurance costs and extended car warranties are excluded;
- ▶ If an employee provides a trade in vehicle or makes a cash payment towards the vehicle, the cost price will be reduced by this amount (ie, will reduce the taxable value of the benefit); and
- ▶ Fleet discounts, sales incentives and manufacturers' rebates will all reduce the cost price of the car for FBT purposes.

If you are uncertain about your obligations, please call us for assistance.

How do I know if I need to pay FBT?

If you are not sure whether you are providing fringe benefits to your employees, here are some key questions you should ask yourself:

- ▶ Do you make vehicles owned by the business available to employees for private use?

- ▶ Do you provide loans at reduced interest rates to employees?
- ▶ Have you released an employee from a debt they owed?
- ▶ Have you paid for, or reimbursed, an expense incurred by an employee?
- ▶ Do you provide a house or unit of accommodation to your employees?
- ▶ Do you provide employees with living-away-from-home allowances?
- ▶ Do you provide entertainment by way of food, drink or recreation to your employees?
- ▶ Do any of your employees have a salary package arrangement in place?
- ▶ Have you provided your employees with goods at a lower price than they are normally sold to the public?

A common area of confusion is motor vehicles. Where a motor vehicle owned or leased by the business is used by an employee for private purposes, then FBT is an issue that needs to be managed. Once again, the Tax Office will be specifically targeting motor vehicles which are owned by businesses so it will be important for us to identify any potential FBT issues before the Tax Office does.

Another common area of confusion is entertainment. Entertainment can be almost anything from food, drink, recreation such as movie tickets, to non-work based travel. If you provided any entertainment benefit to employees, such as an employee attending a business lunch, then FBT applies. Entertainment is an area of continued focus for the Tax Office as the FBT treatment also interacts with the treatment of these expenses for income tax and GST purposes.

What is exempt from FBT?

Certain benefits are excluded from the scope of the FBT rules. The following work related items are exempt from FBT if they are provided primarily for use in the employee's employment:

▶ Portable electronic devices (e.g. laptop, mobile, PDA, electronic diary, notebook computer, GPS navigation device) that are provided primarily for use in the employee's employment (limited to the purchase or reimbursement of one portable electronic device for each employee per FBT year);

▶ An item of computer software;

▶ Protective clothing required for the employee's job;

▶ A briefcase;

▶ A calculator;

▶ A tool of trade.