



KEEPING FBT FIT

The fringe benefits tax (FBT) year end is just around the corner on **31 March 2008**.

Ongoing investigations by the ATO show that FBT compliance is not as good as it could be – so FBT is on the ATO's audit hit list.

Now is the time to check whether you have provided any fringe benefits to your employees in respect of their employment that are taxable and make sure you are ready to lodge your FBT return and pay any FBT liability on time.

We are here to help you make sure that you are making the most of planning opportunities and that your business is up to scratch when it comes to its FBT compliance.

Checklist of some FBT basics

- The current FBT year runs from 1 April 2007 to 31 March 2008.
- As an employer, you have to calculate and pay any FBT liability.
- If you have an FBT liability, you must lodge your FBT return and pay your FBT liability by 21 May 2008.
- FBT is separate from income tax and is levied at the top personal marginal rate of income tax, including the Medicare levy (i.e., currently 46.5%);
- You can generally claim an income tax deduction for the cost of providing fringe benefits and for the FBT you pay.
- Where the total taxable value of reportable fringe benefits for an employee is more than \$2,000 for the current FBT year, you will have to disclose this value (grossed-up) on the employee's payment summary.

Checklist of common fringe benefits

The following list benefits is not an exhaustive catalogue of all possible fringe benefits, but highlights some of the more common situations in which fringe benefits tend to arise.

If you are providing any of the following benefits to your employees, you are probably providing a fringe benefit and will need to make sure whether or not you have a fringe benefits tax liability:

- making **cars or other vehicles** owned or leased by your business available to your employees for their private use;
- providing your employees with **loans** at reduced interest rates;
- releasing an employee from a **debt**
- paying for or **reimbursing a non-business debt** incurred by an employee;
- providing a **house** or some other type of accommodation to your employees;
- providing an employee with a **living away from home allowance**;
- providing your employees with **goods** at a lower price than they are normally sold to the public;
- providing **entertainment** for your employees by way of food, drink and/or recreation; and
- you have **salary packaging** arrangements in place with your employees

TIP ON SUPER CONTRIBUTIONS

Superannuation contributions you make under a salary sacrifice arrangement to a complying superannuation fund for the benefit of an employee are not fringe benefits. However, if you pay super contributions for the benefit of your employee's spouse (or other associate), they are considered to be a fringe benefit.

Spotlight on business-owned cars

The ATO is turning the spotlight on business-owned cars to make sure employers are meeting their FBT obligations in respect of employee car benefits:

- if you currently attribute a high level of business use to a **luxury car**, the ATO may want to know how you have worked out the tax treatment; and
- we also understand that the ATO is targeting some taxpayers with a general questionnaire about **business-owned cars over the past 2 years** to make sure there are no undisclosed FBT liabilities.

Tips for reducing your FBT exposure

Everybody is winner if you can make use of FBT **exempt benefits**.

Provided you comply with any requirements that make a particular benefit FBT exempt, you don't have to pay any FBT on this benefit.

Also these types of benefits are generally not subject to income tax in the hands of your employees.

Some common FBT-exempt work related items include:

- mobile phones (must be used primarily for employment);
- a notebook, laptop or similar computer (only 1 per employee per year);
- computer software (e.g., electronic diary software);
- an electronic diary or similar item;
- personal digital assistants and portable printers designed for use with work-related portable computers;
- briefcases and calculators;
- protective clothing required for a job; and
- tools of trade (e.g., you are in the building industry and provide your employees with loose tools like hammers, wrenches, chisels and hand operated power tools).

What's new in FBT that you should know about

Starting in the current fringe benefits tax (FBT) year (1 April 2007 – 31 March 2008) there is:

- an increase in the **minor fringe benefits** threshold from \$100 to \$300 per employee;
- an increased reduction of the taxable value that applies to eligible fringe benefits (e.g., **'in house' benefits** like goods or services you provide to your employees that are identical or similar to those you supply to the public) from \$500 to \$1,000;
- an **extended definition of 'remote'** for the purposes of the FBT concessions;
- an exclusion of **pooled or shared vehicles** from the FBT reporting requirements; and



- an **increase in the reportable fringe benefits tax threshold** from more than \$1,000 to more than \$2,000.

WHERE'S THE POTENTIAL BENEFIT?

These changes may help you to provide more fringe benefits to your employees in a way that is tax effective for your business, whilst at the same time keeping your employees happy.

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