



KEEPING ON TOP OF FBT

With the end of the fringe benefits tax (FBT) year only a matter of weeks away – 31 March 2009 - it's that time of year to make sure you are on top of your FBT obligations. To get prepared, we suggest you:

- 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.

TIP

Some of the more common benefits that may give rise to an FBT liability include: providing cars or other vehicles, reimbursing non-business debts, providing accommodation, entertainment, and/or goods and services for your employees and their associates.

What to look out for this year

There are **three main FBT changes** you need to be aware of – **all of them take effect from 13 May 2008**. These changes impact on:

- work related items;
- meals provided to your employees; and
- jointly held assets.

Work-related items

The FBT exemption for purchases of certain work-related items now only applies where these items are *primarily for use in your employee's employment*.

The types of work-related items covered by this exemption from FBT include:

- portable electronic devices (eg mobile phones, calculators, personal digital assistants, laptops, portable printers and portable GPS devices);
- items of computer software;
- items of protective clothing;
- briefcases; and
- tools of trade.

This FBT exemption will generally be limited to one item of each type per employee per year.

What does 'primarily for use in the employee's employment' mean'?

The ATO has provided the following guidance on how they will administer this requirement and what you will be expected to do.

- An item is primarily for use in your employee's employment if you provide it principally to enable your employee to do their job;
- You have to make a decision as to whether your employee is using an item for this purpose;
- Your decision should be based on the employee's intended use *at the time you provide this benefit to your employee* - the ATO does not require you to look at your employee's actual usage over the FBT year to determine whether the item is used primarily in their employment; and



- In making this decision, you will be expected to use a reasonable basis to determine an item's usage – for example, using the employee's job description, duty statement or employment contract.

TIP

It appears a declaration from your employee that an item is to be used primarily for use in their employment is unlikely to be regarded by the ATO as a reasonable basis for you to make this decision – the ATO will expect you to assess the actual circumstances of and surrounding your employee's employment.

Meals provided to your employees

Meals provided by you to your employees on your premises as part of a salary sacrifice arrangement are no longer exempt from FBT.

The type of arrangement we are talking about here is where:

- your employee agrees to forgo salary and wages; and
- food and drink supplied to them on your premises (usually by an independent caterer) – commonly called 'meal cards'.

We are not talking about a subsidised canteen that is available to all employees and does not form part of a salary sacrifice arrangement.

TIP

For meal card arrangements in place before 13 May 2008, any food or drink relating to an existing balance at that time will not be subject to FBT if the food and drink is provided on or before 31 March 2009.

Jointly held investments

The reimbursement of an associate's share of expenses incurred in relation to jointly held investment assets will no longer escape the FBT net.

However, if any of your employees have entered into this particular arrangement, they will have until 31 March 2009 to renegotiate their salary package to avoid incurring a FBT liability.

Your FBT basics checklist for 2009

- The current FBT year runs from 1 April 2008 to 31 March 2009.
- As an employer, you are responsible for calculating your FBT liability, if there is one, and paying any FBT liability.
- If you have an FBT liability, you must lodge your FBT return and pay your FBT liability by 21 May 2009.
- FBT is separate from income tax and is levied at the top personal marginal rate of income tax, including the Medicare levy (ie 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.

Should you require any further information or would like to make an appointment to discuss the above please do not hesitate to contact Michelle Pearce, John Fara or Chris Rutter on (02) 9555 1309.

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