



FRINGE BENEFITS TAX

Fringe benefits tax & your business: March 2020



A Fringe Benefit is a benefit provided to an employee (or their associate) because that person is an employee of the business.

Fringe Benefits Tax (FBT) applies to the value of benefits provided by the employer to the employee in respect of their employment.

The most common types of fringe benefits are:

- Non-business use of motor vehicles
- Entertainment expenses
- Non-commercial loans
- Gifts

Gifts to Clients	Gifts to Employees
Not subject to FBT	May be subject to FBT
Tax deductible	May not be tax deductible (depending on criteria)
GST claimable	Not GST claimable

The FBT year does not coincide with the usual tax/financial year, it instead covers the period from 1 April to 31 March.

BUSINESS TIP

Is the benefit provided in relation to employment?

Would you provide the benefit if the recipient had not been an employee?

Minimising the FBT Impact

Attending to FBT issues each year, using correct documentation will benefit you and your business in the following ways.

- Can assess and calculate the value of any benefits that may have been provided.
- Assist in reducing the 47% FBT rate from 1st April 2019 by documenting reimbursement of the taxable value to any benefits provided, where applicable.
- Alleviate the need to lodge an FBT return each year, where applicable.
- Provide peace of mind that you have complied correctly with ATO requirements.

Other Fringe Benefits

Some items such as laptop computers & tablets, mobile phones and work related items are exempt from FBT, however the way these items are purchased and recorded in the business records could change the status.

Example: *Employer purchases a laptop computer and gives it to an employee, the FBT laptop computer exemption applies.*

Employee purchases the laptop and their employer reimburses the money then no FBT applies. The money however must be noted on the employee's PAYG summary (Group Certificate) as an allowance or extra wages. This then forms part of the employee's taxable income.

FRINGE BENEFITS TAX: MOTOR VEHICLE

Motor Vehicle Fringe Benefits

Motor vehicle fringe benefits are the most common benefit provided to employees. If a vehicle is owned or leased by your company/trust and used by a director or an employee of the company/trust, private use of the vehicle will be subject to FBT.

The FBT value is determined by using either the Statutory Formula Method or Operating Cost (Log Book) Method.



Motor vehicle FBT rules apply to motor cars, station wagons, panel vans, utilities, other road vehicles designed to carry less than 1 tonne, or less than 9 passengers. Exemptions include a taxi, panel van, utility or any other non passenger commercial vehicle where it is used only for business purposes, for travelling to and from work and/or private travel which is irregular and infrequent.

Statutory Formula Method

Calculated on the value of the car (including GST), by applying a flat statutory percentage of 20% (subject to transitional rules) relating to the number of kilometers the vehicle travels in the FBT year. This is adjusted for the number of days it is available for private use, and any employee reimbursements.

The statutory percentages for car fringe benefits provided prior to 10 May 2011 (ie vehicle purchased prior to this date), or where you have a pre-existing commitment in place to provide the car after this date, are as follows;

Total (Annual) Kilometers in FBT Year	Statutory Percentage
Less than 15,000 kms	26%
15,000 - 24,999 kms	20%
25,000 - 40,000 kms	11%
More than 40,000 kms	7%

You can continue to use the statutory rates for all pre-existing commitments unless there is a change to that commitment.

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The move to one statutory rate of 20% will be phased in over four years. There will be transitional arrangements that apply to any new commitments entered into from 10 May 2011 to 31 March 2015. Where there is a change to pre-existing commitments these transitional arrangements will also apply.

Total (Annual) Kilometers in FBT Year	From 10 May 2011	From 1 April 2012	From 1 April 2013	From 1 April 2014
Less than 15,000 kms	20%	20%	20%	20%
15,000 - 24,999 kms	20%	20%	20%	20%
25,000 - 40,000 kms	14%	17%	20%	20%
More than 40,000 kms	10%	13%	17%	20%

Operating Cost (Log Book) Method

The taxable value is the private usage percentage of the total costs of owning and operating the car during the year, less the amount of employee reimbursements or contributions towards the running costs of the vehicle.

A log book is required to be kept for a period of 12 continuous weeks to determine the private use component. This log book is then valid for 5 years.

In addition, you are required to estimate the reasonable number and percentage of business kilometers travelled in each non-log book year, taking into account variances to that years actual usage eg. Long distance holidays, vehicle off the road, change in business/private usage due to change of address etc.

TAX TIP

For existing vehicles (prior to 10 May 2011) make sure to review the kilometers travelled as you approach the end of the FBT year

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