

UPA Group - Fringe Benefits Tax Checklist

FBT is a tax payable by employers on the value of certain benefits, known as "fringe benefits", that have been provided to their employees or to associates of those employees in respect of their employment.

Such benefits can be provided by:

- a) the employee's employer,*
- b) an associate of the employer, or*
- c) a third party under an arrangement with the employer or an associate of the employer.*

Unlike the financial year, the FBT year is from April 1 to March 31. The FBT return is required to be lodged annually on or before May 21.

The following checklist is designed as a guide to help in identifying taxable fringe benefits that have been supplied to employees or associates of those employees.

1. Do you have employees / associates?

- Yes You may be subject to an FBT liability. Go to Question 2.
- No You will NOT be subject to an FBT liability. No need to complete checklist.

2. Did you provide a car to an employee / associate?

- A car fringe benefit normally arises when a car that is held by an employer, is made available for the private use of an employee. This includes cars that are owned by the employer, leased to the employer, or made available to the employee under an arrangement between the employer and a third party. If the employee has the use, custody and control of the car for the whole or part of the FBT year, then the employer is liable for FBT.
- Yes
 - No Go to Question 3.

3. Did you have loans to employees / associates on your balance sheet?

- Employees / associates may be subject to FBT based on the following:
A loan fringe benefit arises when an employer makes a loan to an employee or associate under circumstances where the employee:
- Yes
 - a. is under an obligation to repay the monies to the employer; and
 - b. has received a loan on which a low rate of interest (or no interest) has been charged during the FBT year. The FBT statutory interest rate for the 2009 FBT year is 9.0%. If loans have been provided at a lower rate during the year, the employer is subject to FBT.

4. Have you waived / released an employee from the obligation to repay an outstanding debt?

The employer is subject to pay FBT based on the amount of debt waived.

Importantly, there is no reduction in the taxable value of a debt waiver fringe

Yes benefit under the "otherwise deductible" rule. As a result, even if the debt that has been forgiven may have been applied to income producing activities, the waiver is still subject to FBT.

No Go to Question 5

5. Have you provided entertainment by way of provision of food or drink, during the FBT year?

A determination needs to be made as to whether or not the provision of food or drink constitutes the provision of entertainment under s32-10 of the ITAA 1997.

An employer needs to consider:

Yes - what type of food and drink is being provided;
- when it is being provided;
- where it is being provided; and
- why it is being provided

No Go to Question 6

6. Have you provided car parking for employees during the year?

The employer may be subject to FBT depending on the following:

A car parking fringe benefit arises only if all of the following conditions are met:

- a. a car is parked at premises that are owned by, leased by or otherwise under the control of the provider (usually the employer);
- b. there is a commercial car parking station available for all day parking within a 1km radius of the premises on which the car is parked;
- c. the lowest fee charged by any such commercial parking station is greater than the car parking threshold of \$7.07 for the 2009 FBT year.
- d. the car is parked for 6 continuous hours after 7am and before 7pm on that day (referred to as the "daylight period");

Yes e. the car is owned by, leased to, or otherwise under the control of an employee, or it is provided by the employer as a car benefit;
f. the car parking space is provided in respect of the employee's employment;
g. the car is parked at or near the employee's primary place of employment on that day;
h. the car is used by the employee to travel between home and work (or work and home) at least once on that day; and
i. the provision of car parking facilities is not excluded by FBT regulations. (this includes car parking provided to disabled persons)

If these requirements are all met, then the employer is liable for FBT on car parking benefits.

No Go to Question 7.

7. Have you provided airline transport benefits?

Airline transport fringe benefits arise where employees of airlines or travel agents are provided with:

- Yes
- a. free or discounted airfares; and
 - b. the airfares are provided with "stand-by" restrictions that normally apply in relation to discounted or free air travel in the airline industry.
- No Go to Question 8.

8. Have you provided an employee with property for free or at a discount?

FBT will be payable by the employer if the following has occurred:

A property fringe benefit arises where an employer provides an employee with property, usually for free or at a discount.

- Yes Property includes:
- a. all goods of the employer, including animals;
 - b. real property, such as land and buildings; and
 - c. a chose in action, such as a copyright
- No Go to Question 9.

9. Have you provided board by way of meals and / or accommodation to any employees during the year?

The provision of a meal to an employee is generally a board fringe benefit if the employee is entitled to the provision of accommodation and the following conditions are met:

- Yes
- a. there is an entitlement under an industrial award to be provided with at least two meals a day, or under an employment arrangement, whereby at least two meals a day are ordinarily provided.
 - b. the meals are supplied by the employee's employer (if the employer is a company, the meals may also be supplied by a related company in a wholly owned group);
 - c. the meals are cooked or prepared on the employer's (or related company's) premises, or on a work site or place adjacent to a work site; and
 - d. the meals are supplied on the employer's premises (or work site), or on the premises of a related company.
- No Go to Question 10.

10. Did you pay an allowance to an employee to cover additional expenses in respect of accommodation, meals and living disadvantages while the employee was living away from their usual place of residence?

The employer will be liable for FBT if the amount of the allowance paid exceeds any part of the allowance that is reasonable compensation for the additional costs of accommodation and / or food that the employee will incur because they are required to live away from home to perform their employment duties.

- Yes
- The taxable value of the Living Away From Home Allowance is the difference

between the amount of the allowance and the amount exempted for accommodation and / or food under the FBT Act.

No Go to Question 11.

11. Did you reimburse an employee for an expense incurred by an employee, or make a payment to a third party in satisfaction of expenses or a debt incurred by an employee?

Depending on the nature and amount of reimbursement or outright payment, the employer may be liable for FBT on expense payments.

The most common types of expense payment fringe benefits are:

- a. private telephone charges;
- b. personal home mortgage or other private loans;
- c. children's school fees;
- d. rates and land taxes;
- e. electricity or gas (heat and power);
- f. medical and health benefits;
- g. private health insurance premiums;
- h. credit card payments;
- i. groceries; and
- j. personal car expenses.

Yes

No Go to Question 12

12. Did you provide an employee with the right to use a unit of accommodation and that unit of accommodation is the usual place of residence of the employee?

The employer is subject to housing FBT.

A unit of accommodation includes:

- a. a house, flat or home unit;
- b. accommodation in a house, flat or home unit;
- c. accommodation in a hotel/motel, guest house, bunkhouse or other living quarters;
- d. a caravan or mobile home; or
- e. accommodation on a ship or other floating structure.

Yes

No Go to Question 13.

13. Have you provided any right, privilege, service or facility in respect of an employee's employment that is not subject to the other fringe benefit rules?

The employer is subject to FBT for providing residual fringe benefits.

Examples of residual fringe benefits include:

- a. the provision of services, such as travel;
- b. the performance of professional or manual work;
- c. the use of property, such as the employer's equipment at home for an extended period; or
- d. the provision of insurance coverage under a group policy taken out by an employer for the benefit of employees.

Yes

No Go to Question 14.

14. Non-Specific Reductions And Exemptions

The following is a list of certain benefits, which may be provided to employees and are subject to FBT reductions /exemptions:

- **The first \$1,000 of certain "in-house" fringe benefits (section 62)**
- **Relocation expenses**
 - a. costs of removal of household effects
 - b. costs of sale or acquisition of home
 - c. costs in relation to the connection of the telephone, gas or electricity
 - d. leasing of household goods while living away from home
 - e. relocation transport, including accommodation and meals en route
- **Job interviews**

Travel costs in attending job interviews
- **Motor vehicle parking**

Car parking provided by a scientific, religious, charitable or public educational institution
- **Newspapers and periodicals**

Used for business purposes
- **Medical and health services**
 - a. a benefit provided in respect of a work-related injury which is subject to compensation under a workers' compensation law or is a reasonable benefit
 - b. the provision of medical services and other health care provided at an in-house health care facility
 - c. travel costs incurred by an employee working in a foreign country to receive medical treatment
 - d. work-related health care and counselling, including medical examinations, medical screening, preventative health care, counselling and migrant language training
- **Compassionate travel**

Travel costs incurred by the employer related to compassionate travel
- **Emergency assistance**

Employer-provided benefits in the case of personal emergency (e.g. temporary accommodation)
- **Minor benefits**

Benefits of small value which are infrequently or irregularly provided and / or difficult to record or value. Examples include Christmas gifts of modest value and taxi fares for employees unexpectedly required to work late. In addition, the benefit must be regarded as being "minor", and is treated as such if its value is less than \$300
- **Long service awards**

Up to a value of \$1,000 for 15 years service
- **Safety awards**

Up to a value of \$200 per employee solely in recognition of the special achievements of the employee in occupational health and safety
- **Australian Traineeship Scheme**

Benefits in the form of accommodation, food or drink provided to an employee who is a

trainee under the Australian Traineeship Scheme

- **Live-in domestic workers**
 - a. accommodation and food provided for domestic workers employed by a religious institution
 - b. accommodation and food provided to an employee who lives with a disadvantaged or elderly person
- **Non live-in domestic employees**

Food and drink provided to non live-in domestic employees
- **Work related items (*New restrictions have been placed on these in 2009*)**
 - a. Laptop / portable computers;
 - b. electronic diaries;
 - c. protective clothing required for employment;
 - d. brief cases;
 - e. calculators;
 - f. tools of trade;
 - g. business related software;
 - h. car phones and mobile phones (where private use is only minor and incidental)
- **Membership fees and subscriptions**
 - a. trade subscriptions and professional journals;
 - b. airport lounge memberships;
 - c. corporate credit card membership fees
- **Taxi travel**

Where the taxi travel begins or ends at an employee's place or work so long as it constitutes a single trip. Taxi travel provided to sick employees is also exempt irrespective of whether the employee is sent to a doctor, relative or to their home.
- **Other deductions:**
 - a. Remote area residential fuel (section 59)
 - b. Remote area housing (section 60)
 - c. Remote area holding transport (sections 60A,60I)
 - d. Overseas employment holiday transport (section 61A)
 - e. Expense payment relocation transport (section 61B)
 - f. Temporary accommodation relating to relocation (section 61C)
 - g. Temporary accommodation relating to Meal Fringe Benefit (section 61D)
 - h. Employment interviews and selection tests (section 61E)
 - i. Medical examinations (section 61F)
 - j. Education of children of overseas employees (section 65A)

If you have answered YES to any of the above questions, please contact us immediately so that we can ensure lodgement deadlines can be met.