

# FRINGE BENEFIT TAX GUIDELINES 2014

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## 1 Introduction

- (1) This Fringe Benefits Tax (FBT) guide is written for University staff. It explains how the FBT rules apply to the University. There are seven types of fringe benefits provided to University staff and their associates:
- car;
  - home loan subsidy;
  - expense payments or expense of office allowances;
  - housing;
  - meal entertainment;
  - residual fringe benefits; and
  - living away from home.
- (2) A comprehensive FBT guide can be found on the Australian Tax Office – FBT Information website. Staff are advised to read this comprehensive FBT guide at <http://www.ato.gov.au>. The University has used the ATO FBT Information in preparing this guide.

## 2 Fringe Benefits Tax – General information

### (1) Fringe benefit definition

- (a) A fringe benefit may be regarded as any form of employee remuneration other than salary and wages or other payments which are subject to income tax (e.g. termination payments, superannuation). Fringe Benefits Tax (FBT) arises where:
  - (i) the benefit is provided in respect of the employment of an employee;
  - (ii) the benefit is provided by the University or a third party under an arrangement; and
  - (iii) the benefit is provided to an employee (present, former and future) or his/her associate.
- (b) Under the *Income Tax Assessment Act 1936* (section 26AAB (14)), 'associate' is defined as a relative, partner, spouse or a child of that employee.
- (c) FBT does not arise when a benefit is provided to a non-employee such as a contractor, supplier, student or other external person.

### (2) Volunteer as deemed employee

It is important to determine whether an individual is a volunteer or an employee of the University:

- (a) Payments to volunteers can be either or both of cash or non-cash benefits. They may be referred to as honoraria, reimbursements, and allowances. No FBT liability arises, or PAYG withholding is required, on payments or benefits the University provides to volunteers. A genuine volunteer does not work under a contractual obligation for remuneration and would not be an employee or an independent contractor.
- (b) FBT liability arises where the University provides non-cash benefits to deemed employees in lieu of salary and wages. For example, a research fellow who is not employed by the University but can access the University's funding and is performing research work in the University as a volunteer, is a deemed employee for FBT purposes.

### (3) FBT liability

The liability for FBT lies with the employer and not the employee. Under income tax laws, a fringe benefit is not taxable income to the employee. An exempt fringe benefit does not give rise to a tax liability to employees or the employer. (See section 9 in relation to exempt fringe benefits).

### (4) FBT year

FBT is an annual tax, and the FBT year runs from 1 April to 31 March of the following year.

### (5) FBT returns

An annual return must be lodged by 21 May each year. Lodgement of the return is deemed an assessment and is lodged by Financial Control and Treasury.

## (6) Payment of tax

FBT instalments are payable quarterly by the University through lodgement of business activity statements by Financial Control and Treasury. The balance payable or refundable is adjusted when the FBT annual return is lodged in May.

## (7) Taxable value of fringe benefits

- (a) There are two types of gross-up taxable value of fringe benefit. GST affects the calculation of an employer's FBT liability.
- (i) Where the University is entitled to claim GST paid on goods or services acquired to provide fringe benefits, a gross-up rate of 2.0802 (type 1) applies.
  - (ii) Where there is no entitlement to claim GST, the gross-up rate of 1.8868 (type 2) applies.
- (b) The following table shows how FBT is calculated on items that include GST and GST Free Items.

Component	Calculation	GST taxable purchase	GST free purchase
Cost of purchase	(1)	\$100 including GST	\$100
GST gross up factor	(2)	2.0802	
GST free gross up factor	(3)		1.8868
FBT tax rate	(4)	0.47	0.47
FBT in respect of a GST taxable purchase	(5)=1x2x4	\$97.77	
FBT in respect of a GST free purchase	(6)=1x3x4		\$88.68

## (8) Tax rate

The FBT tax rate may vary from year to year. The current rate is 47%.

## (9) Close off FBT accounting entries

All FBT eligible expenses are to be paid by the last working day of March each year. Journal entries reflecting FBT payable and employee after-tax contributions need to be processed prior to the April month end close each year.

## (10) Reportable fringe benefits

Employers subject to FBT are required to record the grossed-up taxable value of fringe benefits on the payment summary of any employee who receives relevant benefits with a total taxable value exceeding \$2,000. The gross up factor for reportable fringe benefits is 1.8868 effective from 1 April 2014 irrespective of any input tax credit (GST).

Accordingly, an employee who receives \$2000 of taxable benefits will have \$3,774 shown on their payment summary as Reportable Fringe Benefits.

**(11) Record keeping**

The University must maintain adequate records for its self-assessment of FBT liability for five years.

**(12) “Otherwise Deductible Rule”**

- (a) This rule determines that the taxable value of a benefit may be reduced by the amount of the income tax deduction available to the employee if the employee had met the expense personally and not been reimbursed by the University.
- (b) The reduction in the taxable value only applies if the employee would have obtained a tax deduction in their personal income tax return. Benefits provided for an employee’s associates (their spouse and or children) are not eligible for the reduction in taxable value.
- (c) Benefits covered by the “Otherwise Deductible Rule” include, but are not limited to:
  - (i) interest on an investment loan provided the declaration has been given stating that the loan is being used for income producing purposes;
  - (ii) deductible repairs to an investment property;
  - (iii) income protection insurance;
  - (iv) professional fees for tax return preparation and deductible tax advice and financial counselling;
  - (v) professional subscriptions;
  - (vi) telephone or mobile phone costs including the cost of calls, rental charges and accessories;
  - (vii) home internet charges;
  - (viii) business use of a motor vehicle owned or leased by the employee; and
  - (ix) self education expenses.
- (d) **Documentation requirements:**
  - (i) A reduction in the taxable value of an expense payment fringe benefit resulting from the “Otherwise Deductible Rule” will only be possible when certain documentary evidence is obtained. This generally requires receipts, invoices and other documentary evidence of the expense as well as declarations, travel diaries and car substantiation records.
  - (ii) When the employer reimburses the employee expenses that are essentially the same (such as monthly telephone, internet charges) the employee will need to provide a declaration only for the first benefit. A “Recurring Fringe Benefit Declaration” applies to a series of benefits provided over a five year period. A new declaration is required if the business portion of the benefit changes by ten or more percent.

**(13) Employee contributions**

Where an employee contributes to the cost of the benefit provided by the University, this contribution reduces the taxable value of the benefit.

#### **(14) Exempt Benefits**

Certain fringe benefits are classed as exempt benefits, meaning they are not subject to FBT. A comprehensive list is contained in section 9.

### **3 Car Fringe Benefits**

#### **(1) Introduction**

##### **(a) Car benefit definition**

A car fringe benefit generally arises where the University "holds" a car and makes it available to an employee (or associate) for private purposes. If the car is owned by the employee and the car expenses are reimbursed by the University, this is not a car fringe benefit but an expense payment fringe benefit. A car is "held" by the University where it is owned or leased by the University or hired on a long term basis.

##### **(b) Car definition**

A "car" is defined as any motor car, station wagon, panel van, utility truck and similar vehicle; or any other road vehicle designed to carry a load of less than one tonne and fewer than nine passengers.

A University provided motor cycle is not a car fringe benefit, but a residual fringe benefit.

##### **(c) Available for private use**

For a fringe benefit to arise, a car merely needs to be available for private use by the employee. Actual private use is not necessary. A car is deemed to be available for private use by an employee on any day when it is actually used for private purposes (including home to work travel in most circumstances), or in relation to the statutory formula method:

- (i) the car is garaged or kept at or near the employee's place of residence;
- (ii) the car is not on the University's premises and the employee is entitled to use it for private purposes;
- (iii) the employee has custody or control of the car while it is away from the University's premises and the employee is not performing employment duties; or
- (iv) the employee is deemed to have custody or control of the car even when the car is parked on the University's premises while the employee is on leave or performing duties overseas, if the use of the car is part of his/her salary package or under a salary sacrifice arrangement.

A car garaged at an employee's residence overnight will result in a benefit being provided on two consecutive days in most circumstances.

Where a vehicle is available for private use, but it is not defined as above, a car fringe benefit will not arise (but a residual benefit may). This will only be the case in limited circumstances. For example a short term hire car used to replace damaged vehicles for private purposes.

**(d) Prohibition on private use**

A car fringe benefit will only arise where a car is used for private purposes or available for private purposes.

Therefore, where an employee is performing employment duties and is not entitled to use the car for private purposes because the University prohibits this, no fringe benefit will arise.

This prohibition must be consistently enforced, such as regular checks of odometer readings against business kilometres. The mere issue of the University policy or a directive stating the prohibition is not considered by the Commissioner of Taxation to be sufficient for the University to avail itself of this exemption, without further enforcement (Refer: *Miscellaneous Tax Ruling MT 2021*).

However, if an employee has custody and control of a car away from business premises and is not carrying out employment duties, a car fringe benefit is deemed to arise, regardless of any prohibition on private use. Heads of department should exercise reasonable care in the prohibition of private use of a car by their staff.

**(e) Exemptions from prohibition on private use - on call - FBT still applies**

The ATO considers that cars employees take home when they are on call count as a fringe benefit and the private use of work vehicles is included in the Reportable Fringe Benefits Amount.

Records need to be kept of the use of vehicles by each employee and details forwarded to the nominated person within a Department/Business Unit who prepares the FBT calculation.

A recommended format is shown in Schedule 1: Private Use of Vehicle Declaration.

**(2) Exemptions from FBT**

**(a) Commercial vehicles**

An exemption is available for the private use of commercial vehicles. Where the car is a taxi, panel van, utility truck or other road vehicle not designed for the principal purpose of carrying passengers, no car fringe benefit will arise if the only private use of the vehicle is travel by the employee between their place of residence and place of employment (or where they perform employment duties); and/or other minor, infrequent and irregular private use duties.

This may subject to residual fringe benefit if there is an element of private use. (See section 8 below).

**(b) Unregistered cars**

The provision of a car that is unregistered and held by the University and which is used principally in connection with the business operations of the University will be exempt from fringe benefit tax. This exemption would apply to an unregistered car used exclusively off-road (e.g. on a farm).

**(c) Itinerant workers**

Travel from an employee's home may be considered business travel where the nature of the employment is itinerant. Where an employee is an itinerant worker no part of the journey from home is subject to FBT.

The characteristics of an itinerant worker are:

- (i) that travel is a fundamental part of the employee's work;
- (ii) it is impractical for the employee to perform the duties without the use of a car; and
- (iii) the terms of employment require the employee to perform duties at more than one place of employment.

### **(3) Taxable value of car fringe benefit**

#### **(a) Methods**

There are two methods of calculating the taxable value of a car fringe benefit:

- (i) operating cost method; or
- (ii) statutory formula method.

The statutory formula method is the current method used by the University, as it produces a lower taxable value for executive vehicles (high private use) and requires the least amount of record keeping and documentation. The specific details of the statutory formula method and the FBT calculations are shown below.

#### **(b) Calculation of statutory formula method**

The statutory formula is expressed as:  $[(A \times B \times C) / D] - E$ , where:

- A is the base value of the car, reduced by one-third at the beginning of the fifth FBT year;
- B is the relevant statutory fraction;
- C is the number of days during the year on which a car fringe benefit was provided;
- D is the number of days in the year (365, 366 leap year); and
- E is the amount of any recipient's (employee's) contribution.

#### **(c) Base value (A)**

The base value of the car is generally calculated as follows:

- (i) where the car was purchased, the base value is the amount actually paid for the car (including GST);
- (ii) where the car is not owned (i.e. leased), the base value is the leased car value, which is the cost of the car to the lessor or provider;
- (iii) where the car has been held for more than four years, at the beginning of the fifth FBT year in which the benefit arises, the base value may be reduced by one-third;
- (iv) all non-business accessories (eg. air conditioning, car phone) and dealer delivery charges must be included in the base value. Stamp duty and registration are excluded;
- (v) where a sales tax or customs duty exemption was available, the base value is the amount the employer would reasonably have expected to pay if those concessions are not available.

**(d) Statutory fraction (B)**

The relevant statutory fraction is calculated with reference to the total "annualised" kilometres travelled by the car. The total annualised kilometres is the total kilometres travelled if the car is held for the full FBT year. Where the car is held for less than the full year (i.e. purchased/sold during the year), the annualised kilometres are the total kilometres travelled during the period held, multiplied by the number of days in the FBT year (365, 366 in leap year) and divided by the number of the days held.

The statutory fraction is 0.20 for all vehicles provided from 11 May 2011.

For vehicles provided before 7.30pm on 10 May 2011, the statutory fraction is determined by referencing the total annualised kilometres travelled in the following table:

Annualised number of whole kilometres	Statutory fraction
Less than 15,000	0.26
15,000 to 24,999	0.20
25,000 to 40,000	0.11
More than 40,000	0.07

**(i) Odometer readings**

Kilometres travelled need to be recorded each FBT year. Therefore, an odometer reading should be taken between 1 to 31 March for each car, and whenever a car is acquired or disposed of. For cars acquired or disposed during the year, the kilometres need to be annualised.

**(ii) Annualised kilometres**

The following example demonstrates the steps taken to annualise the kilometres travelled for a car held for only part of the year. Assume the car was held from 1 April 20XX to 30 June 20XX (i.e. 91 days).

Kilometres travelled in 3 months = 4,000 km

Annualised kilometres =  $(4,000 \times 365) / 91 = 16,044$  km

Statutory fraction (refer to table above) = 0.20

**(e) Days for which a benefit provided (C)**

The days on which the car fringe benefit was provided is calculated as the number of days the vehicle is available, or deemed available for private use (refer to clause 3 (1)(c)).

A car is available or deemed available for private use if:

- (i) not all use of the car by the employee is in the course of producing assessable income (i.e. the car is used privately);



- (ii) the car is garaged at the employee's residence or place of accommodation; or
- (iii) the car is not on the University's business premises and the employee has the use, custody or control of the car.

As a general rule, unless a car is garaged on University premises or used for employment duties, it will be regarded as available for private use. The University assumes the car is available for private use for the full year unless records kept support otherwise.

**(f) Recipient's (employee's) payment (E)**

A reduction in the taxable value is available for any recipient's contribution. In general this does not apply to the University's situation, as all private use of University's motor vehicles is either by salary packaging or through salary sacrifice.

**(4) Luxury cars**

The luxury car tax is added to the base price for FBT purposes. The luxury car tax threshold GST inclusive value from 1 July 2013 is:

- (a) \$60,316 for normal cars; or
- (b) \$75,375 for fuel efficient cars.

**(5) Administration**

The University's Fleet Manager provides a Fringe Benefit Tax (FBT) report of motor vehicles to the nominated person within each Department/Business Unit every quarter. The nominated person then uses the FBT information to calculate the FBT liability for their areas. The FBT report contains:

- (a) acquisition date;
- (b) make and model of car;
- (c) registration number;
- (d) user name;
- (e) department with responsibility centre and project code;
- (f) FBT base price which includes the cost price plus any non-business accessories (air-conditioning, radio/CD), Goods and Services Tax and dealer delivery; excluding registration and stamp duty costs;
- (g) number of days of private use in the reporting period; and
- (h) date of disposal if any.

Staff with a car fringe benefit must provide an odometer reading on any one date between 1 March and 31 March to the nominated person who is responsible for FBT liability calculation for their area.

A recommended format is shown in Schedule 2: Odometer Reading Confirmation.

## **4 Loan Fringe Benefits**

**(1) Introduction**

A loan fringe benefit arises from the provision of a loan to an employee where low or no interest is charged on the loan. A loan includes:

- (a) an advance of money;
- (b) the provision of credit; or
- (c) the payment of an amount for a person where there is an obligation to repay the amount.

Further, loan benefits are deemed to arise in the case of unpaid debts of an employee and deferred interest loans.

Whether or not a fringe benefit arises depends on the interest charged by the University being less than the "statutory interest rate" and whether the loan, or part of the loan, is used for non-income producing (i.e. private) purposes.

The benchmark interest rate for the fringe benefits tax year commencing on 1 April 2013 is 6.45 percent per annum.

## **(2) Taxable value**

The taxable value of a loan fringe benefit is generally calculated as the difference between the rate of interest charged on the loan and the benchmark interest rate. The benchmark interest rate is set by the Taxation Office each FBT year.

## **(3) Reduction in taxable value**

Where a loan is a remote area housing loan, the taxable value of any loan benefit arising is reduced by 50%.

## **(4) Exemption**

A loan is exempt from FBT where the advance is made to an employee solely for the purpose of meeting employment expenses (e.g. business travel advance) to be incurred within a six month period of the advance being made.

## **(5) FBT calculation example**

Assume an employee receives a home loan of \$100,000 on 1 April 2013, with no interest charged by the University and the money is used to purchase a non-remote area house:

- (a) The taxable value for the FBT year ended 31 March 2014 is:

Gross Taxable Value

= (benchmark interest rate - actual interest rate) x loan amount

= (6.45% - 0%) x \$100,000

= \$6,450

Note: 6.45% was the benchmark interest rate on 1 April 2013.

- (b) Less Otherwise Deductible Amount calculated as follows:

- (i) Gross Deduction

= (benchmark interest rate x loan amount x business percentage)

= (6.45% x \$100,000 x 0%)

= \$0

- (ii) Actual Deduction
  - = (actual interest rate x loan amount x business percentage)
  - = (0% x \$100,000 x 0%)
  - = \$0
- (iii) Notional Deduction
  - = gross deduction - actual deduction
  - = \$0 - \$0
- (c) Net Taxable Value
  - = \$6,450 - \$0.00 = \$6,450
- (d) FBT payable
  - = (net taxable value x gross up formula x FBT rate)
  - = \$6,450 x 1.8868 x 47%
  - = \$ 5,719.83

## 5 Expense Payment Fringe Benefits

### (1) Introduction

An expense payment fringe benefit arises where the University either:

- (a) reimburses an employee for (private) expenses incurred by the employee; or
- (b) pays another person for private expenses incurred by the employee.

This is usually when the University pays a bill on behalf of an employee.

Common examples of expense payment fringe benefits include home telephone, subscriptions, airport lounge memberships, mortgages, school fees, driver's license, protective clothing etc.

### (2) Taxable value

- (a) The taxable value of an expense payment fringe benefit is generally the amount of the expenditure (including GST) incurred by the employee which is paid or reimbursed by the University. FBT is about determining the value of the benefit to the employee, and employees are not allowed input tax credits. Hence, GST inclusive prices are used for valuation purposes.
- (b) Different valuation rules apply depending on whether the expense payment fringe benefit is an "in-house" or "external" benefit. Suffice to say, most expense payment benefits will be classed as "external" benefits.
- (c) **In-house benefit**
  - (i) An "in-house expense payment fringe benefit" arises where the amount paid or reimbursed by the University was incurred by the employee in the purchase of goods or services of a kind the University normally sells or supplies to the public in the ordinary course of business.



- (ii) For example, a University employee purchases a University product (e.g. a training manual) at an independent retail outlet. If the University reimburses the employee the purchase price, that reimbursement will constitute an in-house expense payment fringe benefit because the book is sold as a normal part of the University's business.
- (iii) Discounted University fees provided to University staff are an in-house benefit, but it is an in-house residual fringe benefit. Refer to clause 8 for further details.
- (iv) The taxable value of an in-house expense payment fringe benefit is determined on a concessional basis. The first \$1000 per employee per year is FBT exempt, the balance of the benefit is valued at 75% of the lowest price charged to the public, for the same goods and services.

**(d) External benefit**

- (i) An external expense payment fringe benefit is defined as one which is not an in-house expense payment fringe benefit. This is the more common expense payment fringe benefit.
- (ii) The taxable value of an external expense payment fringe benefit is simply the amount of the expenditure paid or reimbursed by the University less any contribution made by the employee to the University.
- (iii) The taxable value of an expense payment fringe benefit may also be reduced where the expenditure would have been an income tax deduction to the employee - this is essentially the otherwise deductible rule.

**(e) "Otherwise Deductible Rule"**

- (i) The "Otherwise Deductible Rule" states that the taxable value of an expense payment fringe benefit may be reduced by the amount of the income tax deduction that would have been otherwise allowable to the employee, had the University not paid for or reimbursed the expense.
- (ii) The otherwise deductible amount is called the "notional amount" and is calculated as the difference between the tax deduction that would have been allowed if the employee had paid the whole of the expenditure incurred had he not been reimbursed (the "gross deduction") and the actual deduction allowable to the employee for the expenditure.
- (iii) **Example:** Assume an employee paid a professional membership subscription of \$1,000 and the University reimburses the full amount. No FBT is payable for this reimbursement because the professional membership subscription would be a deductible work expense in the employee's income tax return, if the University had not paid or reimbursed the expense.

**(3) Specific issues**

**(a) Education fees**

In regard to self education expenses, which are employment related, no FBT applies. The first \$250 of self education expenses limit for personal income tax return is disregarded for FBT purposes.

**(b) University courses**

If the University pays or reimburses employees for tuition fees:

- (i) for a course covered by HECS-HELP, then it is subject to FBT;
- (ii) for a course covered by FEE-HELP, then it is not subject to FBT; and
- (iii) for short courses, then it is not subject to FBT.

**(c) Associate travel**

A FBT liability will arise when an associate accompanies an employee on work-related travel and expenses incurred by the associate are met by the University. An associate includes family members.

**Note:** Under the [Travel Policy](#), the Vice-Chancellor must authorise the travel of an associate.

**(4) Travel costs not subject to FBT**

In order to apply an FBT exemption to the below mentioned travel costs, employees must comply with the travel diary requirements mentioned in clause 5.6 and spend at least one night away from their normal residence. Where an employee is on business travel the following type of costs would be exempt from FBT:

- (a) accommodation;
- (b) meals and drinks including alcohol;
- (c) transport fees, including air fares, taxi fares to and from the airport;
- (d) hire of car during the business trip.

Please note the FBT exemption does not apply to travel per diems or travel allowances.

**(5) Travel costs subject to FBT**

Where an employee undertakes a business trip that is combined with a holiday and the private portion is equal to or greater than 50 percent, the private portion is deemed not to be incidental and becomes subject to FBT.

This is because the University has facilitated the employee reaching their holiday destination.

In these circumstances, 50 percent of the airfare is deemed subject to FBT.

**(6) Travel diary**

- (a) A travel diary must be kept in respect of certain travel undertaken by an employee. There are two circumstances where a travel diary must be kept:
  - (i) where an employee is travelling overseas for more than 5 nights; or
  - (ii) travel in Australia which requires more than 5 nights away from home and the travel was not exclusively for the purpose of performing employment duties. The fact that the business travel requires the employee to be away over a weekend will not, in itself, mean that the trip is not undertaken exclusively in the course of employment. A business trip exclusively within Australia for employment purposes does not require a travel diary, regardless of the length of stay.
- (b) A travel diary must be completed by the employee undertaking travel and must include:
  - (i) the date the entry was made;

- (ii) the nature of the trip;
  - (iii) where the activities took place;
  - (iv) the date and approximate time when the activities commenced; and
  - (v) the duration of the trip.
- (c) The Commissioner of Taxations has indicated in *Miscellaneous Tax Ruling MT 2038* that he is prepared to accept two alternative forms of records other than travel diaries:
- (i) a detailed conference schedule which contains all of the above-mentioned details and where attendance or variation is endorsed by the employee; or
  - (ii) a detailed travel itinerary prepared in advance for the trip which contains all of the details outlined above and is signed by the employee as a correct record of the activities to be undertaken on the trip, or records any variations that may occur.
- (d) If an employee fails to comply with the travel diary requirements, the University will be subject to FBT on all the relevant travel costs.
- (e) Personal or private travel (non-University business) may be permitted in conjunction with pre-approved business travel, provided the purpose of the travel is properly documented prior to the commencement of travel and the absence is convenient to the department/business unit.
- (f) The personal/private travel component and associated costs are to be paid for separately by the traveller and must not be charged to the University.
- (g) If the costs have been included in Spendvision then staff must reimburse the University for all personal travel costs. Failure to do this will result in an FBT liability to be ultimately borne by the staff member.

## 6 Housing Fringe Benefits

- (1) Where the University grants an employee the right to use or occupy accommodation as their usual place of residence (i.e. home), then the right to use or occupy the accommodation is a housing fringe benefit.
- (2) The method of valuing a housing fringe benefit is dependent on the type of accommodation provided and the location of the accommodation.
- (3) The two types of location for calculating housing fringe benefits are:
  - (a) housing fringe benefits provided in Australia, not in remote areas; or
  - (b) housing fringe benefits provided in Australia in remote areas.
- (4) **Non-remote location**
  - (a) The taxable value of non-remote housing provided in Australia is the market value of the accommodation (or indexed market value), less any amount paid by the employee.
  - (b) In the first year (base year) the accommodation is provided, the market value of the accommodation must be obtained. A real estate agent may assist you with the market valuation. The market value is then used as the taxable value.

- (c) During a non-base year (i.e. the years after the base year), the market value in the previous year is indexed by multiplying the market value (or indexed market value) by the annual State housing index factor.

The indices for the 2015 FBT year are:

NSW	VIC	QLD	SA	WA	TAS	ACT	NT
1.037	1.020	1.022	1.024	1.067	1.010	1.017	1.076

- (d) Indexing as outlined above can only be continued for a maximum of nine years. That is, every tenth year must be a new base year, although it can be more frequent if the most recently determined market value is favourable. Also, a new valuation is required where additions, alterations or damage to the accommodation have the effect of altering the market rental value by at least 10%.

- (e) **Example:**

A housing benefit is provided in NSW during the 2015 FBT year. The annual indexed value for the 2014 FBT year was \$8,000.

The indexation factor for NSW is 1.037 for the 2015 FBT year.

Therefore, the annual indexed value for the 2015 FBT year is \$8,296 (i.e. \$8,000 x 1.037).

If the housing benefit was provided for only part of the year, the taxable value is apportioned on a time basis.

## (5) Remote location

Remote area housing benefits became exempt from FBT from 1 April 2000. The list of remote towns can be found in the ATO Practice Statements PS 2000/6. The University has been providing remote housing benefits at Arthursleigh, which is located in a remote area zone.

## 7 Meals and Entertainment - Tax Exempt Body Entertainment Fringe Benefits

### (1) Introduction

- (a) Entertainment provided to employees or their associates by the University is subject to FBT. Since the University is income tax exempt, this benefit is known as a "tax exempt body entertainment fringe benefit" which is defined under section 38 of the *Fringe Benefits Tax Assessment Act 1986*.
- (b) For a fringe benefit to arise there must be entertainment, provided in the form of food, drink or recreation (including associated travel and accommodation). Examples include business lunches, cocktail parties, staff social functions, sporting events and theatre tickets.
- (c) Because the University is exempt from Income Tax, the tax consequences of not for profit entertainment is dealt with differently under the *Fringe Benefits Tax Assessment Act 1986*, to entities that are subject to income tax.
- (d) The FBT exemption under section 41 of that Act (exempt property benefits) cannot apply where a tax exempt employer provides meal entertainment on the employer's business premises. This is because this FBT exemption can only apply to a 'property benefit' as defined under section 136(1) of that Act.

A benefit that is a tax-exempt body entertainment benefit is excluded from the definition of a 'property benefit'.

- (e) The effect of the prohibition on the use of section 41 is that the University does not have recourse to exemption in respect of entertainment provided in an in-house dining facility. This means that entertainment provided at the Darlington Centre is subject to FBT. The other reason entertainment at the Darlington Centre is subject to FBT is because the facility is open to the general public.
- (f) A further difference in the treatment of entertainment for income tax exempt employers is in relation to the \$300 minor benefit exemption. The exemption has the following limited application:
  - (i) a minor entertainment benefit (not consisting of a meal other than light refreshments) is provided to employees or associates at a function which is mainly for entertaining outsiders; or
  - (ii) a minor benefit is provided to an employee and or associate on the employers' premises, solely as a means of recognising a special achievement of the employee relating to their employment.

In practical terms, the effect of the minor benefit limitations is that entertainment enjoyed by employees and associates at Christmas parties and other infrequent social events cannot be included as an exempt minor benefit.

## (2) What constitutes entertainment

- (a) It is generally irrelevant whether the entertainment is provided free or whether it is a requirement of employment that an employee attends the social function.
- (b) The definition of 'entertainment' contained in section 32-10 of the *Income Tax Assessment Act 1997* and adopted by the *Fringe Benefits Tax Assessment Act 1986* (in the definition of "entertainment" in section 136(1)), does not prescribe that entertainment occurs every time food and drink is provided. However, it should be noted there is only a narrow category of cases where the provision of food and drink does not amount to entertainment.
- (c) In order to assess whether providing food and drink is entertainment the following factors need to be considered.
  - (i) **Why the food and drink is provided – the purpose test.** Food and drink provided as sustenance to enable an employee to complete a working day in comfort does not have the character of meal entertainment, but food and drink provided at a social function for employees to enjoy themselves will have the character of entertainment.
  - (ii) **The type of food and drink provided.** The more elaborate the meal, the greater the likelihood it has the character of meal entertainment. The provision of morning and afternoon teas is not entertainment whereas the provision of a three course meal with alcohol is more likely to be entertainment.
  - (iii) **When the food and drink is provided.** Food provided during normal working hours or while an employee is working overtime travelling on business is less likely to have the character of meal entertainment. In contrast food and drink provided outside normal working hours is more likely to have the character of entertainment.



- (iv) **Where the food and drink is provided.** Food and drink provided on employer's premises is less likely to have the character of meal entertainment. In contrast food and drink consumed off the employer's premises at a restaurant, function centre, sporting venue is more likely to have the character of meal entertainment.
- (d) A fringe benefits liability only arises in respect of the entertainment of employees and associates.
  - (i) Entertainment of non-employees, clients, contractors or others is not subject to FBT.
  - (ii) GST income tax credits (ITC's) can only be claimed in respect of the entertainment of employees and associates.

**(3) Meal entertainment exemptions**

The following meal entertainment expenditure is not subject to FBT.

**(a) In-house recreational facilities**

Recreation facilities located on the University's premises and provided to employee's are not subject to FBT. Examples include tennis courts, gymnasium and games room.

**(b) Food and drink incidental to attendance at an eligible seminar**

To qualify as an "eligible seminar", a seminar must:

- (i) be a conference, convention, lecture, training session, or speech;
- (ii) have a continuous duration of four hours (excluding breaks).
- (iii) not be a business discussion in the normal course of business, unless it is an exempt training seminar (see below);
- (iv) not have as the sole or dominant purpose, the promotion or advertising of the business; and
- (v) not have as the sole or dominant purpose, the provision of entertainment.

In practice, a seminar which includes the provision of entertainment by way of food or drink which is incidental to a person's attendance at a seminar is not subject to FBT. However, the cost of entertainment in the form of recreation (e.g. trip to a tourist attraction) may be subject to FBT, particularly if it is an optional and separate charge. Any component of an all-inclusive registration fee for an eligible seminar which is attributable to recreation may be subject to FBT on a proportional basis.

**(c) Exempt training seminars**

"Exempt training seminars" qualify as eligible seminars where they are:

- (i) organised to discuss general policy issues;
- (ii) organised to enable employees to discuss general policy issues relevant to the internal management of the University's business; and
- (iii) held on the premises of a person whose business includes the organising of seminars or making premises available for those purposes.

Where the above conditions are satisfied, the seminar will be an eligible seminar, and food and drink incidental to attendance at the seminar is not subject to FBT.

**(4) Taxable Value**

The taxable value of the benefit is generally calculated as the expenditure (including GST) incurred which is attributable to the entertainment of the employee (or associate).

**(5) Tips associated with meal entertainment**

- (a) There is no specific provision on tips in the *Fringe Benefits Tax Assessment Act 1986*. The University has adopted the ATO advice that tips should be added to the cost of entertainment to calculate FBT for the employee portion. Staff should avoid paying tips under normal circumstances as it is not an approved expenditure in the public sector. If tips are paid, the following accounting procedures should be applied.
- (b) An employee paid \$550.00 inclusive of GST plus a tip of \$10.00 for a total of \$560 on corporate card. The number of guests and employees was 50/50. The journal entries for the substantiation should be:

Dr 5900 RC PC \$275 with an indication of "T" which stands for GST taxable  
 Dr 5901 RC PC \$275 with an indication of "T" which stands for GST taxable  
 Dr 5900 RC PC \$5 with an indication of "F" which stands for GST free  
 Dr 5904 RC PC \$5 with an indication of "F" which stands for GST free  
 Cr 6782 RC PC \$560 with an indication of "O" which stands for Out of scope

Same account codes are applied on reimbursements paid in the accounts payable system.

**(6) Checklist of FBT and GST on meal entertainment**

Type of entertainment/ non-entertainment	Meal entertainment (ME)	Subject to FBT (Y/N)	Entitled to claim GST credits if any (Y/N)
<b>1. Provided on employer's business premises:</b>			
(a) Light refreshments in connection with meetings, training sessions, overtime, working lunch, weekend work, etc - employees and associates - clients	Not entertainment Not entertainment	N N	Y Y
(b) Social activity/function (eg, Friday night drinks, Christmas party or similar functions) with food and drinks (including alcohol, caterers, waiters/waitresses) - employees and associates - clients	ME ME	Y N	Y N
<b>2. Business lunches /dinners at a restaurant or similar venue:</b>			
- employees and associates - clients	ME ME	Y N	Y N

3. Provided in the restaurant at Darlington Centre (including light refreshments and meals): - employees and associates - clients	ME ME	Y N	Y N
4. Provided in the function/meeting rooms at Darlington Centre (light refreshments only): - employees - clients	Not entertainment Not entertainment	N N	Y Y
5. Provided in the function/meeting rooms at Darlington Centre (other than light refreshments - say a 3 course meal) (a) Seminars less than 4 hours: - employees - clients (b) Seminars longer than 4 hours: - employees - clients	ME ME Not entertainment Not entertainment	Y N N N	Y N Y Y
6. Social activity/function held at Darlington Centre (eg, Friday night drinks, Christmas party or similar functions) - employees and associates - clients	ME ME	Y N	Y N
7. Promotional functions /events not held on employer's premises and open to the general public: - employees and associates - clients	ME ME	Y N	Y N
8. While travelling: - employees - accompanying associates - clients	Not entertainment ME ME	N Y N	Y Y N
9. Travelling employee dines with non-travelling employee: - travelling employee - non-travelling employee	Not entertainment ME	N Y	Y Y
10. Travelling employee dines with non-travelling client: - employee's meal - clients meal	Not entertainment ME	N N	Y N
11. Travelling employee dines with spouse: - employee's meal - spouse's meal	Not entertainment ME	N Y	Y Y
12. Gifts # (a) Bottle of whisky, wine or similar drink, Christmas hamper, similar food / drink baskets, perfume, flowers , pen sets etc: - employee and associate - clients , contractors (b) Tickets to theatre, movie or a sporting event:	See note 6 below. Not entertainment Not entertainment	Y N	Y Y

- employees and associates - clients # If the gift is less than \$300 it is exempt as a minor benefit.	Recreation Recreation	Y N	Y N
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**Notes:**

1. Food and drinks provided to employees' associates are subject to FBT regardless of the circumstances.
2. Light refreshments include finger food eg. pizza, sandwiches, salad, fresh fruit, soft drink, orange juice, but do not generally include alcohol.
3. Travelling means sleeping away from the employee's usual place of residence.
4. A seminar is defined as a conference, convention, lecture, meeting, award presentation, speech, question and answer session, training session or educational course. The seminar must not be a business meeting. However, the seminar is not a business meeting if it:
  - (a) is organised by (or on behalf of) an employer solely for either or both of the purposes indicated below:
    - (i) training the employees in matters relevant to the employer's business;
    - (ii) enabling the employees to discuss general policy issues relevant to the internal management of the employer's business; and
  - (b) is conducted on property that is occupied by a person (other than the employer) whose business includes organising seminars or making property available for conducting seminars.  
  
The seminar's main purpose must not be for promoting business or providing entertainment.
5. The FBT exemption on minor entertainment benefits (which is less than \$300 GST inclusive) does not apply to the University, the United States Studies Centre or the Warren Centre under s58P of the Fringe Benefit Act because these entities are income tax exempt. The \$300 exemption on minor entertainment benefits can be utilised by Sydney Talent and Bandwidth Foundry International because these entities are subject to income tax.  
The minor benefits exemption only applies to a limited number of circumstances in respect of entertainment; however it applies as usual for items other than meal entertainment.
6. Gifts will be subject to FBT, unless a specific exemption applies, such as:
  - (a) minor benefits exemption (ie. generally for individual benefits costing less than \$300);
  - (b) the long service awards exemption under section 58Q ( ie. for at least 15 years of service with the employer); or
  - (c) the safety awards exemption which is \$200 per annum.

**(7) Darlington Centre – Expenses and FBT Implications**

- (a) The meal entertainment expenses incurred at Darlington Centre must be paid for with a University corporate card and apportioned in the Spendvision expense management solution between FBT eligible expense class number 5902 (for the staff member portion of the meal cost), and non-FBT eligible class 5903 (for the guest/visitor portion of the meal cost). The corresponding FBT costs will be generated in a FBT automatic calculation process at the end of each working day. In situations where it is obvious that the expenses incurred are not of an FBT nature, the cardholder should code the costs to class 5903 which is not subject to FBT.
- (b) It is the cardholder's responsibility to ensure that correct details of numbers of staff versus guests/visitors are entered in the Spendvision questionnaire.
- (c) For example, an invoice of \$220 for meal/entertainment is paid for with the corporate card. The meals were provided to one staff member with one

guest. The cardholder has to apportion the cost via the dedicated questionnaire in Spendvision to create the entries:

Debit	5903	XXXXX	XXXXX	\$110
Debit	5902	XXXXX	XXXXX	\$110

- (d) All tax invoices and receipts obtained must be attached to the Spendvision monthly statement as supporting documentation.

### **(8) "Entertainment at a Glance"**

The University's staff intranet includes the Price WaterHouse Coopers guide "[Entertainment at a Glance - Tax Exempt Bodies](#)" which sets out the FBT implications of the various modes of entertainment.

## **8 Residual Fringe Benefits**

### **(1) Introduction**

- (a) This category of fringe benefits is effectively the "catch-all" category which seeks to tax fringe benefits provided to employees which do not fall within any other category. As such, the definition of "residual" under the FBT legislation is defined in the negative, that is, it is defined as any benefit provided which does not fall within the other sections of the FBT legislation.
- (b) Examples of residual fringe benefits include:
- (i) discounted school or university fees;
  - (ii) the private use of a motor vehicle other than a car; e.g. motor cycle or truck; and
  - (iii) private use, not at the University's premises, of property belonging to the University, such as an employee taking home the University's computer to use for private purposes.

### **(2) Taxable Value**

The taxable value of a residual fringe benefit will depend on whether the benefit is an "in-house" or an "external" benefit.

#### **(a) In-house residual fringe benefit**

An "in-house" residual fringe benefit is generally one where the University is engaged in a business which normally provides identical or similar goods or services to the public. In such circumstances, the benefit is valued at 75% of the lowest price charged to the public for the same goods or services. In addition, the first \$1,000 of in-house benefits is exempt from FBT.

#### **(b) External residual fringe benefit**

Any residual fringe benefit which does not constitute an in-house residual fringe benefit is an "external" residual fringe benefit. The taxable value is generally the arm's length cost to the University.

### **(3) FBT declaration**

- (a) Staff are to sign a declaration for FBT purposes when they are seeking reimbursement for expenses incurred partly for business use. A recommended format is shown in Schedule 4.

## 9 Exempt Fringe Benefits

### (1) Work-related expenses

- (a) Under subsection 58X of the *Fringe Benefits Tax Assessment Act 1986*, the provision of the following work related items are exempt from FBT:
- (i) a portable electronic device;  
**Note:** Examples of portable electronic devices include a mobile phone, ipad or tablet, laptop, portable printer and portable global positioning system (GPS) navigation receiver.
  - (ii) an item of protective clothing that is required for employment purposes;
  - (iii) protective clothing used by the person in the performance of their work related duties. The clothing must be specifically designed to protect the employee from personal work injury, disease or death or hazards from their work environment (for example steel capped boots, safety helmets, fire resistant clothing, overalls, aprons etc). Further, the employee must be exposed to the risk of injury in the course of carrying out their employment duties;
  - (iv) a briefcase;
  - (v) a calculator;
  - (vi) tools of trade;
  - (vii) an item of computer software for use in the employee's work.
- (b) The ATO considers that a "tool of trade" includes items such as hammers; wrenches; hand operated power tools such as drills, circular saws; a photographer's camera and filter, but not the film; and a scientist's microscope, that is capable of being carried by hand.
- (c) Overall, the ATO considers work related equipment that is not necessarily held in the hand will not be considered a "tool of trade" such as a dentist's chair or a radiologist's X-ray machine.
- (d) The ATO considers that "tools of trade" would not generally include a computer printer, a modem or a scanner provided to a professional employee, such as an accountant, as such an employee is not in an occupation by which these items are held in the hand for "performing or facilitating mechanical operations".
- (e) Limitations on the exemption**
- The exemption is limited to items that "are primarily for use in the employee's employment" and there is a limit of one item of each type per FBT year, unless there is a replacement of an item that was lost or damaged.
- (f) Primarily for use in the employee's employment**
- An item is primarily for use in the employee's employment if it is provided principally to enable the employee to do their job.

When determining whether or not an item is primarily for use in the employee's employment, the decision is based on the employee's intended use at the time the benefit is provided to them. You do not have to look at the employee's actual usage over the FBT year to determine whether the item is used primarily in the employee's employment. However, you must

use a reasonable basis to determine whether an item is primarily for use in your employee's employment – for example, the employee's job description, duty statement or employment contract.

Alternatively, if you are aware that there may be private use of an item, you could document factors such as those listed below to determine whether the item is primarily for use in the employee's employment:

- (i) the reason or reasons the item was provided to your employee;
- (ii) the type of work your employee will be performing;
- (iii) how the use of the item relates to your employee's employment duties; and
- (iv) your policy and any conditions relating to the use of the item.

**(2) Membership fees and subscriptions**

Under subsection 58Y(2) of the *Fringe Benefits Tax Assessment Act 1986*, the following benefits provided by an employer to an employee in regard to their employment are exempt benefits:

- (a) a subscription to a trade or professional journal;
- (b) an entitlement to use a corporate credit card; and
- (c) an entitlement to use airport lounge membership – primarily for use on business travel.

**(3) Taxi travel**

- (a) Under subsection 58Z(1) of the *Fringe Benefits Tax Assessment Act 1986*, any benefit arising from taxi travel by an employee is an exempt benefit, if the travel is a single taxi trip beginning or ending at the employee's place of work.
- (b) Subsection 58Z(2) of that Act states that any benefit arising from taxi travel by an employee when he or she is sick is an exempt benefit.

**(4) Approved student exchange programs**

- (a) Under subsection 58ZB of the *Fringe Benefits Tax Assessment Act 1986*, a benefit provided to an employee with regard to employment and participation in an approved student exchange program, is an exempt benefit where the employer did not select or take part in the selection of the employee as a participant in the program.
- (b) An approved student exchange program is run by an organisation that is registered as a student exchange body with the relevant State or Territory authority, in accordance with the National Guidelines for Student Exchange as published by the National Co-ordinating Committee for International Secondary Student Exchange.

**(5) Relocation expenses**

- (a) Certain general relocation benefits provided to an employee and their family to assist in their relocation from their usual place of residence to another location to perform employment duties are exempt from FBT.

The costs include:

- (i) cost associated with the selling of a home at the original location as well as the purchase of a home at the new location, eg. advertising, legal fees, commission etc; and

- (ii) general costs relating to the relocation including consultant fees and costs associated with the removal and storage of household effects, connection or reconnection of utilities.

**(b) Sale of home costs – old location**

The FBT Exemption applies to home sale costs including the cost of advertising, legal fees, mortgage discharge expenses, real estate agent's commission and other sale related costs only if:

- (i) the sale is made solely because the employee changed their usual place of residence in order to carry out employment related duties;
- (ii) the unit of accommodation was the employee's usual place of residence; and
- (iii) the sale contract was made within two years of commencing employment at the new location.

**(c) Purchase of home costs – new location**

The FBT exemption applies to home purchase costs, including stamp duty, legal fees, borrowing expenses and other similar capital costs provided:

- (i) the employee owned a home at the old location;
- (ii) the purchase was made solely because of job relocation;
- (iii) the new home was occupied as the employee's usual place of residence; and
- (iv) the employee sells or proposes to sell their old dwelling within two years after commencing employment at the new location.
- (v) If the employee does not sell their old dwelling within two years of commencing employment at the new location, the purchase costs become subject to FBT for the employer.

From a tax minimisation perspective, the relocation costs associated with the purchase of the new residence should not be reimbursed by your employer until the sale of the old residence has been completed.

**(d) Costs of a relocation consultant.**

Generally a relocation consultant is engaged to assist the family:

- (i) arrange the movement of furniture and personal effects;
- (ii) find accommodation at the new location; and
- (iii) find educational facilities or other community amenities and services at the new location.

**(e) Connection and reconnection of utilities**

This applies to gas, water, electricity and telephone services.

In the case of a reconnection of telephone services, the employee must have had a telephone connected at the former residence. Where the employee has permanently relocated, this concession only applies if the costs are incurred within 12 months of the employee starting work at the new location.

**(f) Removal and storage of household effects**

The costs of removal and storage of household effects of employees who are required to live away from home because their job location changes, is an exempt



benefit. This exemption includes the costs of removal, storage, packing, unpacking and insurance of household effects (including pets) kept primarily for the personal use of the employee or family.

The exemption applies if the removal or storage commences within 12 months of the employee commencing employment at the new location.

**(g) Relocation – sale and purchase of new residence**

Costs incidental to the sale and purchase of a new residence when a person relocates are exempt from FBT under section 58C of the *Fringe Benefits Tax Assessment Act 1986* if all the following apply:

**(i) Sale of residence**

- the sale is made solely because the employee changed their usual place of residence in order to carry out employment related duties;
- the residence was owned when the employee was notified of the change to the new location;
- the residence was the employee's usual place of residence; and
- the sale contract was made within 2 years of commencing duty at the new location.

**(ii) Purchase of residence at new location**

- the employee owned a residence at the former location;
- the purchase was made solely because the employee changed their usual place of residence in order to carry out employment related duties;
- the new residence was occupied as the employee's usual place of residence; and
- the purchase contract was made within 4 years of commencing duty at the new location.

Exempt costs include stamp duty, advertising, legal fees, agent commission, discharge of mortgage, expenses of borrowing, connection and reconnection of gas, electricity and telephone services, and any similar capital expenses.

**(h) Relocation transport costs**

Relocation transport costs including costs of the employee's initial visa and associated costs that are reimbursed to the employee may be exempt from FBT if the costs comply with the rules and limits specified by the ATO. Relocation transport is transport that enables the employee to relocate to a new residence where they are required to either:

- (i) live away from home in order to perform employment related duties; or
- (ii) permanently relocate to the new residence to perform employment related duties.

Exemption for these costs also applies where the employee is returning to their usual place of residence after working at another location.

If you rented a motor vehicle as part of your relocation, those costs would be reimbursed on an actual cost basis and should be claimed as general relocation costs.

This section details the requirements when you use your own motor vehicle in the relocation process and reimburse the employee on a cents per kilometre basis. The motor vehicle must be owned or leased by the claimant and the kilometres to be reimbursed will be limited to a direct route between the old and new locations. The current rates prescribed by the ATO for motor vehicles are shown in the following table:

Engine capacity		Cents per kilometre
<b>Ordinary car</b>	<b>Rotary engine car</b>	
0 - 1600cc (1.6 litre)	0 - 800cc (0.8 litre)	65 cents
1601cc-2600cc (1.601 litre - 2.6 litre)	801cc - 1300cc (0.801 litre - 1.3 litre)	76 cents
2601cc (2.601 litre) and over	1301cc (1.301 litre) and over	77 cents

If two or more family members accompany the employee on the relocation trip the rates shown above can be increased by the supplementary rate which is 0.65 cents per kilometre. For example, the rate applying to a motor vehicle with an engine capacity of less than 1600 cc becomes \$1.30 per kilometre.

In order to obtain exemption for these costs you must complete and sign a Relocation Transport Declaration. A recommended format is shown in Schedule 5 .

**(i) Documentation requirements**

The following documentation is required to claim relocation expenses:

- (i) copies of third party Invoices or other relevant evidence supporting the expenditure;
- (ii) copies of relocation declarations to support the expenditure;
- (iii) the records being in English or readily accessible and convertible into English; and
- (iv) records must be retained for five years after completion of the relevant transaction.

**(6) Minor benefits**

- (a) Section 58P of the *Fringe Benefits Tax Assessment Act 1986* exempts certain expenditure from FBT where:
  - (i) the GST inclusive cost is less than \$300 per incident;
  - (ii) the benefits are conferred on an infrequent and irregular basis;
  - (iii) it is difficult or impractical to value the benefit(s); and
  - (iv) it would be unreasonable to treat the benefit as being subject to FBT.
- (b) Subsection 58P(1)(d) of that Act prohibits businesses who incur exempt body entertainment benefits from using the minor benefit exemption for that entertainment, unless:
  - (i) the entertainment provided to the employee is incidental to the entertainment of outsiders; and

- (ii) it is in respect of recognising the special achievement of an employee.
- (c) The University therefore cannot use the minor benefit exemption for the entertainment provided at social events, including a Christmas party.
- (d) The University is however able to use this exemption in relation to items other than entertainment. For example, a single gift to an employee such as flowers.

Note: Any payment needs to be considered in relation to the University's [Non-Allowable Expense Procedures](#).

#### **(7) Other miscellaneous exempt benefits**

- (a) newspapers and periodicals used for business purposes;
- (b) workers compensation benefits;
- (c) in-house health care facilities;
- (d) child care facilities on the University's business premises;
- (e) medical treatment and examination;
- (f) counselling related expenses;
- (g) language training related expenses;
- (h) long service awards of \$1,000 for recognition of service of an employee for at least 15 years and from \$50 to \$100 for each additional year of service;
- (i) safety awards where the taxable value is less than \$200 per employee;
- (j) superannuation benefits;
- (k) living away from home allowances, such as accommodation, additional food costs, leasing of household goods;

**Note:** Staff need to consult the HR Service Centre to claim living away from home allowances.

- (l) remote area travel – 50% of the value of one remote area holiday transport benefit for the employee and his/her family per year.

### **10 Living away from home allowances (LAFHA)**

- (1) A LAFHA is paid by the employer to an employee whose duties require them to live away from their usual residence, as compensation for additional expenses incurred and any other disadvantages suffered as a result. LAFHA amounts paid in respect of accommodation and food may be exempt from FBT. From 1 October 2012, eligibility to receive LAFHA as a tax free benefit is restricted to employees continuing to maintain their usual home in Australia and is restricted to 12 months for each assignment.

LAFHA is administered under the *Fringe Benefits Tax Act 1986* as amended by the *Tax Laws Amendment (2012 Measures No.4) Act 2012*. Any LAFHA which does not meet the requirements for FBT exemption is taxed as a fringe benefit.

#### **(2) Who does LAFHA apply to?**

LAFHA can only be provided to Australian (permanent or temporary) residents who are required to be living away from their usual place of residence in Australia for work purposes. From 1 October 2012 it can no longer be given to temporary residents for maintaining an overseas home.

To be a living away from home allowance, the employee and any family must be away from their usual residence for more than 21 days. Also the employee must have the intent to return to his or her usual place of residence in Australia.

**(3) How long can LAFHA be in place?**

The concession is now limited to 12 months. A 12 month period may be “paused”, and the 12 month period resumes when the employee returns to the living away from home location. A separate 12 month period may be started when the employer requires the employee to live at another location and it would be unreasonable to commute from the first location. There are separate requirements for “fly in /fly out” arrangements.

**(4) LAFHA transitional arrangements**

If on 1 October 2012, the employee is neither a temporary resident or foreign resident and had an eligible employment arrangement during the entire period from budget time (8 May 2012) to 30 September 2012, then the existing arrangement can continue until the earliest of 30 June 2014, or the time the eligible arrangement ends, or is varied in any material way.

If the employee is a temporary resident or foreign resident, then the requirement for maintaining a home in Australia must also be met for the existing arrangement to continue.

**(5) LAFHA normally comprises two main components, accommodation and food:**

**(a) LAFHA accommodation costs**

The exempt accommodation component of LAFHA is the part paid as compensation for additional accommodation expenses that the employee could reasonably be expected to incur as a result of living away from home (i.e. the difference in accommodation cost between their usual residence and their temporary location).

Living away from home accommodation costs include rent, lease, hotel costs, hire of furniture and appliances, but not mortgage repayments.

To be exempt from FBT, the recipient is required to maintain two residences. The usual place of residence must continue to be available for the employee’s immediate use and enjoyment during the period of living away from home. This means the recipient is prohibited from renting out their home.

**(b) LAFHA food costs**

The exempt food component of a LAFHA is the excess over the “normal food costs” that is considered reasonable compensation for any additional food expenses incurred.

Normal food costs are calculated by referring to statutory food amounts, which are:

- (i) \$42 per adult per week; and
- (ii) \$21 per week for each child under 12 years of age at 1 April each year.

This reflects the fact that food and drink expenses are generally private in nature and only the excess over these amounts will be considered additional and FBT exempt. These ordinary food and drink amounts were set in 1986 when the *Fringe Benefits Tax Act 1986* came into operation and have never been indexed.

Each year the ATO publishes a tax determination that specifies the reasonable food values for a range of family sizes. By requiring the employee to meet the statutory costs, the excess of the food costs reimbursed up to the reasonable food values are exempt from FBT.

The reasonable food component rates for 2014-15 are listed in tax determination TD 2014/5 and are:

<b>Amounts of reasonable food and drink – within Australia per week</b>	
One adult	\$236
Two adults	\$354
Three adults	\$472
One adult and one child	\$295
Two adults and one child	\$413
Two adults and two children	\$472
Two adults and three children	\$531
Three adults and one child	\$531
Three adults and two children	\$590
Four adults	\$590

In relation to larger family groups, the Commissioner accepts the reasonable food and drink amount based on the above figures plus:

- (c) \$118 for each additional adult; and
- (d) \$59 for each additional child.

For employees living away from home overseas, the ATO publishes reasonable food component information for other countries in the same Tax Determination.

**(6) LAFHA reasonable food costs above the tax determination rates**

If an employee's food or drink expenses are more than the Commissioner's reasonable amount, then all food or drink expenses incurred must be substantiated in full.

To substantiate food or drink expenses the employee must provide either:

- (a) documentary evidence of the expense (receipts, tax invoices, credit card statements, bank statements); or
- (b) a declaration about the expense in the approved form.

If the food or drink expenses are less than the Commissioner's reasonable amount, the employee does not have to substantiate any of the expenses.

**(7) LAFHA accommodation**

Accommodation expenses can be substantiated by lease agreements, mortgage documents or other accommodation receipts. The written evidence for accommodation expenses could include a lease agreement, credit card statements, bank statements or other receipt for accommodation.

**(8) LAFHA declarations**

FBT does not apply to the exempt components of the LAFHA, provided the employee provides a LAFHA declaration, setting out their usual place of residence and actual place of residence during the period the allowance is paid. A recommended format is shown in Schedule 3.

The University requires the declaration to be completed and forwarded to Financial Control and Treasury each FBT year by 30 April, and on termination of employment.

Documentary evidence in respect of each LAFHA component should be retained for five years from the declaration date.

## **11 Reportable fringe benefits amount**

The University is required to include the grossed-up taxable value of all fringe benefits (other than excluded benefits) provided to the employee and/or their associate on the employee's payment summary. All reportable fringe benefits must be grossed-up at 1.88682 once the \$2,000 threshold has been exceeded. The reportable fringe benefit amount is not included in an employee's assessable income; it is added to taxable income and taken into account in determining the employee's entitlement to, or liability for any of the following:

- (1) medicare levy surcharge;
- (2) superannuation contribution surcharge;
- (3) termination payments surcharge;
- (4) HELP;
- (5) child support;
- (6) Centrelink payments;
- (7) deduction for personal superannuation contributions;
- (8) rebate for personal superannuation contributions and rebate for superannuation contributions made for the benefit of his/her spouse; and
- (9) family allowances.

## **12 Excluded fringe benefits are subject to FBT, but not reportable in employee's payment summary**

The following excluded fringe benefits are not included in the employee's payment summary as reportable fringe benefit amounts:

- (1) provision of meal entertainment;
- (2) entertainment facility leasing expenses for hiring or leasing premises or facilities for the purpose of provision of entertainment to employee; and

- (3) shared or pooled cars.

### 13 Impact of GST on fringe benefits

The following table shows:

- (1) whether a benefit is subject to GST;
- (2) whether the University is entitled to claim an Income Tax Credit (ITC); and
- (3) the gross-up rate applied to the taxable value.

The rates shown in the following table apply from 1 April 2014.

Fringe Benefits	Any GST paid? (Y/N)	Is the University entitled to claim?	Gross-up rate to be used
*Meal entertainment (provided to employees)	Y	Y	2.0802
	N	N/A	1.8868
Other payment (expense payment)	Y	Y	2.0802
	N	N/A	1.8868
Expense of office allowance (expense payment)	Y	Y	2.0802
	N	N/A	1.8868
Home loan	N	N/A	1.8868
Housing	N	N/A	1.8868
Motor vehicle	Y	Y	2.0802
Enhanced maternity leave	Y	Y	2.0802
	N	N/A	1.8868

**Note:** \* Because the University is not entitled to a GST credit for expenses associated with guest meal entertainment costs under section 69-5(4) of the GST Act (*A New Tax System (Goods and Services Tax) Act 1999*), a GST reversal will be carried out at end of day, after payment vouchers have been posted via overnight batching schedules. Staff are advised to use GST taxable codes for meal entertainment taxable expenses irrespective of whether it is for staff or guests, as GST is reversed for the guest's meal entertainment expenses class code 5901 at the respective responsibility centre.

### 14 Automatic calculation of FBT through the general ledger

An FBT automatic calculation takes place by over-night batch processing after the updating of all sub-systems by end of day. Departments are debited for FBT based on transactions under FBT eligible expenses class numbers.

**(1) Class codes for FBT eligible expenses and the corresponding FBT costs**

<b>FBT eligible expenses class no.</b> <b>(a)</b>	<b>Description</b> <b>(b)</b>	<b>Corresponding FBT costs class no.</b> <b>(c)</b>	<b>Description</b> <b>(d)</b>	<b>FBT costs formula</b> <b>(e)</b>
5900	Meal Entertainment GST taxable FBT eligible	6602	FBT Meal Entertain – GST	(c) = (a) x 1.1 x 2.0802 x 47%
5904	Meal Entertainment GST free FBT eligible	6606	FBT Meal Entertain GST free	(c) = (a) x 1.8868 x 47%
6764	Other Payment GST taxable FBT eligible	6605	FBT Other Payment – GST	(c) = (a) x 1.1 x 2.0802 x 47%
6768	Other Payment GST free FBT eligible	6608	FBT Other Payment – GST free	(c) = (a) x 1.8868 x 47%
5902	Internal Charges Darlington Centre FBT eligible	6610	FBT D'ton Ctr Meal Entertain	(c) = (a) 1.1 x 2.0802 x 47%

**(2) Class codes for non-FBT eligible expenses:**

**5901** Meal Entertainment non-FBT eligible

**5903** Internal Charges Darlington Centre – Non FBT eligible

**relevant class no** Other Payments Non FBT eligible

**(3) What needs to be done for correcting FBT errors or transferring FBT eligible expenses?**

(a) Departments may need to transfer FBT eligible expenses from one responsibility centre to a different responsibility centre, by journal transfer. For example, a meal expense of \$100 subject to FBT is transferred from RC 24401 00000 to RC 24409 00000. Then the journal entries will be processed by the department as:

Debit 5900 24409 00000 \$100.00

Credit 5900 24401 00000 \$100.00

(b) Departments must not correct FBT costs for these adjusting journal entries. PeopleSoft system process FBT automatic calculations at the end of day, with the FBT costs generated as:





Debit	6602 24409 00000	\$107.54
Credit	1201 A0001 00000	\$107.54
Debit	1201 A0001 00000	\$107.54
Credit	6602 24401 00000	\$107.54

- (c) Errors may occur due to incorrect classification of FBT eligible as non-FBT eligible or mis-posting to incorrect class numbers. Departments can correct these FBT errors by processing an adjusting journal to transfer in or out of FBT eligible expense classes. The adjusted amount must be net of GST. For example, a payment of \$100.00 (net of GST) for meals provided to University's employees which should be coded as 5900, but was coded as 5400. The adjusting entries will be:

Debit	5900 RC PC	\$100.00
Credit	5400 RC PC	\$100.00

- (d) If Departments make a direct debit or credit to either FBT class numbers 6601, 6602, 6603, 6605, 6606, 6608, 6609, 6610, 6611, 6612, 6613, 6614 or to FBT clearing account 1201, these errors can only be corrected by Financial Control and Treasury. Departments should advise Financial Control and Treasury when they become aware of these errors. However, these errors should be detected by Financial Services during a reconciliation process. Financial Control and Treasury will transfer these errors to other sundry expenses 6745 if no information is obtained from the departments making the entry.
- (e) The meal entertainment expenses incurred at Darlington Centre will be debited to an FBT eligible expenses class number 5902 by Campus Infrastructure Services (CIS). The corresponding FBT costs will be generated via the FBT automatic calculation process at the end of day. It is the cardholder's responsibility to ensure the non-FBT meal entertainment is transferred out of class number 5902 to non-FBT eligible expenses class 5903. Departments are advised to transfer the proportion of meal entertainment charges for guests, which is not subject to FBT to class 5903.

For example, an invoice of \$220 for meal entertainment was charged to 5902 24409 00000. In fact, the meals were provided to one staff with one guest. The department has to process an adjusting journal as:

Debit	5903 24409 00000	\$110.00
Credit	5902 24409 00000	\$110.00

## NOTES

### Fringe Benefits Tax Guidelines 2014

Date adopted: 8 September 2014

Date commenced:

Administrator: Director, Financial Control and Treasury

Contacts:

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Note: Contact and authorised person with ATO in regard to tax return and registration: Senior Accountant and Director Financial Control and Treasury.

Review date:

Related documents:    [Australian Tax Office – FBT Information](#)

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## AMENDMENT HISTORY

Provision	Amendment	Commencing
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## SCHEDULE 1

### PRIVATE USE OF VEHICLE – ODOMETER READING CONFIRMATION

#### FRINGE BENEFITS TAX 20\_\_\_\_.

#### Private use of vehicle – Odometer Reading Confirmation (Form A)

I, \_\_\_\_\_ (vehicle user) confirm that I have driven the University's Vehicle number \_\_\_\_\_ for private use for the FBT year 20\_\_\_\_\_.

The Odometer reading is \_\_\_\_\_ kilometres as at \_\_\_\_\_ (state the date).

\_\_\_\_\_  
Signature of vehicle user

\_\_\_\_\_  
Date

\_\_\_\_\_  
\*Name of nominated person

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\* State the name of the nominated person if information is not given by the vehicle user.

(After completion of information for any day between 2 and 31 March, please email to [tony.houison@sydney.edu.au](mailto:tony.houison@sydney.edu.au) or alternatively fax to 9351 5861 by 31 March 20\_\_\_\_\_)

## SCHEDULE 2

### PRIVATE USE OF VEHICLE - DEPARTMENTAL POOL VEHICLE

**FRINGE BENEFITS TAX 20\_\_\_\_\_**

Private use of vehicle - **Departmental Pool Vehicle (Form B)**

Vehicle Registration Details \_\_\_\_\_

The Odometer reading is \_\_\_\_\_ kilometres as at \_\_\_\_\_ (state the date).

The following employees have had use of the vehicle for private use. A department motor vehicle log book has been maintained.

Name of driver	Private Use – Total number of days	Responsibility Centre and Project Code

(For additional drivers please attach a sheet along with your return)

I certify that the above private use details are accurate.

\_\_\_\_\_  
Name of the Vehicle Custodian                      Date

\_\_\_\_\_  
Signature of the Vehicle Custodian              Department                                      Date

\*State the name of the nominated person if information is not given by the vehicle user.

(After completion of information for any day between 2 and 31 March, please email to [tony.houison@sydney.edu.au](mailto:tony.houison@sydney.edu.au) or alternatively fax to 9351 5861 by 31 March 20\_\_\_\_)

**SCHEDULE 3**  
**LIVING AWAY FROM HOME DECLARATION**

I, ..... declare that during the  
(Name)

period .....20.....to .....20.....,

I was required to live away from my usual place of residence in order to perform the  
duties of my employment and during that period my usual place of residence was

.....  
(state place where you usually live)

and the nature of that residence was .....; and  
during the period the place at which I actually resided was

.....  
.....  
(state all addresses at which you resided while away from home in the period stated  
above)

.....  
Signature

.....  
Date

(After completion of information please email to [tony.houison@sydney.edu.au](mailto:tony.houison@sydney.edu.au) or  
alternatively fax to 9351 5861)

**SCHEDULE 4**  
**RESIDUAL BENEFIT DECLARATION**

I, ..... declare that the expenses

(Name)

of .....

(Nature of Expense)

\$ ..... were incurred by me during the

period .....20.....to .....20.....

for the following purpose(s):

.....  
.....

(give sufficient information to demonstrate the extent to which the expenses were incurred for the purposes of earning your income).

I also declare that the percentage of that expenses/use of University property incurred in earning my assessable income was .....%.

.....

Signature

.....

Date

(After completion of information please email to [tony.houison@sydney.edu.au](mailto:tony.houison@sydney.edu.au) or alternatively fax to 9351 5861)

## SCHEDULE 5

### RELOCATION TRANSPORT DECLARATION

I, ..... declare that, for the purposes

(name)

of relocating my place of residence,

.....

(state who travelled, eg, self, self and family, self and partner)

travelled in my car from .....

(state place of departure)

to .....

(state place of destination)

on .....20.....

(date of travel)

The car is .....

(state make and model of car)

with an engine capacity of .....(cubic centimetres).

The total number of kilometres travelled in the car between the place of departure and the destination was .....kilometres, and the number of people travelling in the car was.....

.....

Signature

.....

Date

(After completion of information please email to [tony.houison@sydney.edu.au](mailto:tony.houison@sydney.edu.au) or alternatively fax to 9351 5861)