

FRINGE BENEFIT TAX

On the 31st March 2024 the current fringe benefits tax year will come to an end.

FBT Tax Year: 1st April 2023 to 31st March 2024

CAR FRINGE BENEFIT:

Maintain a valid logbook recording personal and business travel

Record the closing odometer of each vehicle on **31 March of each year** and include this on the form attached to our email and return to Walters as soon as possible.

Please complete the form attached to our email and return by 10th April 2024

A Fringe Benefit is a payment to an employee, that is not salary or wages.

WHAT IS A FRINGE BENEFIT?

- Allowing an employee to use a work car for private purposes
- Car parking
- Paying an employee's gym membership
- Providing entertainment by way of free tickets to concerts
- Reimbursing an expense incurred by an employee, such as school fees
- Giving an employee a discounted loan
- Giving benefits under a salary sacrifice arrangement with an employee.

WHAT ARE NOT FRINGE BENEFITS?

- Salary and wages
- Employer contributions to complying super funds
- Shares or rights provided under approved employee share acquisition schemes
- Employment termination payments (including, for example, the gift or sale at a discount of a company car to an employee on termination)
- Payments deemed to be dividends under Division 7A
- Benefits provided to volunteers and contractors
- Exempt benefits, such as certain benefits provided by religious institutions to their religious practitioners.

TIPS & FACTS

The ATO is very interested in any benefits supplied to employees – right down to the birthday cake and food supplied.

However if the total cost is less than \$300 per employee (a maximum amount of \$299.99) then it is not considered important for FBT.

If an employee and their spouse are supplied the benefit then as the spouse is not an employee or a client FBT can apply if the value of the benefit supplied is \$300 or more.

The \$300 threshold applies per transaction so if you were to pay for a ticket to a Christmas Party for the employee to the value of \$250 and then buy them a hamper for \$280 neither of these transactions would cause you a problem.

The \$300 threshold does not apply if the transaction is a regular occurrence i.e. you cannot pay an employee's gym fees and claim an exemption because it was \$250 a quarter – the ATO would make you add the total for the year.

If the expense is incurred for a client or in the way of a promotion that is genuinely open to the Public then it is deductible with no FBT issues i.e. you give your suppliers a \$500 gift voucher at Christmas to keep in their good books or so you get preferential delivery or you give every customer who walks through the door of your shop or gets a quote a movie ticket.

MOTOR VEHICLES

A car fringe benefit arises when a car that is held by an employer, is made available for private use by an employee or an associate of an employee.

Motor cars, station wagons, panel vans and utility trucks (excluding panel vans and utility trucks designed to carry a load of one tonne or more). All other goods-carrying vehicles designed to carry less than one tonne. All other passenger-carrying vehicles designed to carry fewer than nine occupants

FBT only applies to your employee's private use of your car, not their business use.

"Made available for private use"

- Not at the business premises and the employee is allowed to use it for private purposes
- Garaged at the employee's home



MEALS & MEETINGS

The main rule with any food or "sustenance" provided is that it must be incidental to the work activity being completed i.e. if a "light" meal is provided to an employee doing overtime on the premises or in a nearby cafe etc or if you were at a seminar, staff training meeting at your place of work or a business planning meeting where food is supplied (i.e. takeaway) then FBT should not apply.



WARNING: The ATO has declared that "meetings" held in restaurants where you are having a directors meeting etc do not meet this "incidental" exemption.

SALARY SACRIFICING / PACKAGING

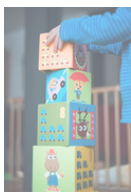
This is where personal expenses are paid by the company / trust instead of wages/salary and include;

- Salary sacrifice for a car
- Health insurance
- Loans (usually for a car)



EXPENSE PAYMENT BENEFITS

When personal expenses are paid by the company / trust for which the business was not reimbursed and include;



- Gym memberships
- Personal telephone bills
- School fees
- Childcare fees

FBT IS AN ATO HIGH AUDIT ACTIVITY AREA

It is important to be aware that a significant amount of non-monetary benefits provided to employees can fall under the heading of fringe benefits

Motor Vehicle Log Books

The ATO advised that in the event your log book is incorrectly completed they can dismiss it – allowing them to assume the vehicle is private usage making your business liable for Fringe Benefits Tax (a tax of approximately 46.5% - in line with the highest marginal rate).

Tips for completing a valid log book:

- Make sure you record EVERY trip – i.e. you get in the car and drive to a clients place, then to pick up some goods for work then on to your work place. You have just made three trips that need to be recorded. From home to the client premises, from your client to the shop where you pick up the goods and from the shop to your place of work.
- Including enough descriptive information in your log book – Unfortunately writing "Work" or "Private" in your log book won't cut it with the ATO. In the above example: "Home to client – Mr Smith Wamberral to collect paperwork"
- Opening and closing kilometres – Yes the ATO does expect this section to be completed. As soon as you get in the car you need to include the opening kilometres on the odometer, when you reach your destination you must note down the closing kilometres and then calculate the total of kilometres travelled for that trip.
- The log book must cover a consecutive period of 12 weeks (3 months) and if you intend to use it for say the 2011 taxation year then that 12 weeks must have occurred and concluded before the start of that period i.e. for the 2024 taxation year the log book should have been started before the 31st of March 2023 – 3 months before the 2024 tax year started.