

07 March 2018

Dear Client

2018 Fringe Benefits Tax - Important Information

The 2018 Fringe Benefits Tax (FBT) year runs from **1 April 2017** and ends on **31 March 2018** ("the 2018 FBT year").

The FBT rate has been reduced from 49% for the 2017 FBT year to **47% for the 2018 FBT year**. This reduction is in line with the Government's cessation of the 2% Temporary Budget Repair Levy (TBRL) from 1 July 2017.

As an employer, you should consider all benefits provided to employees/associates (you as the owner may also be an employee) during the Fringe Benefit Tax (FBT) year the 2018 FBT year. These benefits should be carefully documented as you may unknowingly be subject to FBT.

With the change in FBT rates it is important to continually review your salary sacrifice arrangements with employees to ensure no-one is disadvantaged due to the changes in the rates.

The Table below highlights the changes to the FBT rates that have taken effect since the introduction of the TBRL of 2% from 1 July 2014.

FBT Year	FBT Rate	Type 1 – gross up rate	Type 2 – gross up rate
1 April 2014 to 31 March 2015	47%	2.0802	1.8868
1 March 2015 to 31 March 2017	49%	2.1463	1.9608
1 April 2017 onwards	47%	2.0802	1.8868

**FOR EMPLOYER OWNED, OR LEASED, MOTOR VEHICLES:
RECORD THE ODOMETER READING ON 31 MARCH 2018**

Audits conducted by the ATO on Motor Vehicle Fringe Benefits continue to be increased. **Please ensure that "benefits" have not been accidentally included in incorrect expense codes.**

To assist in the collection of the necessary information for the **2018** FBT year, we enclose:

- A Client Fringe Benefits Tax Questionnaire and Attachment (Form 1)
- Motor Vehicle Expense Checklist (Form 2)
- Log Book Checklist (Form 2a) to be completed when advising a business use percentage to be used for the purposes of calculating the FBT liability using the operating cost method.
- Expense Payment Benefits Schedule (Form 3)
- Entertainment Expense Schedule (Form 4)

NOTE: if you have entertainment expenses which are claimed using the 50/50 or actual method, you must lodge an FBT return.

To determine whether you have any further FBT liability for the **2018** year, we ask that you complete each of the above forms and return them to our office by **15 April 2018** so that we may advise on your reimbursement journal (loan account adjustment) or to prepare a FBT Return.

The lodgment date for the 2018 FBT return is:

- **21 May 2018** if a **paper** return is lodged
- **25 June 2018** if lodged **electronically**

The due date for **final payment** of the **2018 FBT** return is **28 May 2018**.

To ensure the correct GST-inclusive expenses are taken for FBT calculation purposes, please provide a copy of the relevant expense accounts from your general ledger also showing the GST amount claimed on each expense. This may be done by exporting your general ledger records to Excel then adding the GST claim made in an additional column; relevant dates are from 1 April 2017 to 31 March 2018.

Utility and commercial vehicles – minor and infrequent use

The FBT Act contains some exemptions which can apply in situations where certain vehicles provided to employees are exempt from FBT (utility and other commercial vehicles for example) and the private use of the vehicles is limited to work-related travel, and other private use that is 'minor, infrequent and irregular'.

The ATO has clarified its position that private usage of these vehicles will still qualify for these FBT exemptions provided that:

- The employer takes reasonable steps to limit private use and they have measures in place to monitor this.
- The vehicle has no non-business accessories – for example a child safety seat.
- The value of the vehicle when it was acquired was less than the luxury car tax threshold (\$75,526 for fuel efficient vehicles in 2017-18 and \$65,094 for other vehicles).
- The vehicle is not provided as part of a salary sacrifice arrangement; and
- The employee uses the vehicle to travel between their home and their place of work and any diversion adds no more than two kilometers to the ordinary length of that trip, they travel no more than 750 km in total for each FBT year for multiple journeys taken for a wholly private purpose and, no single, return journey for a wholly private purpose exceeds 200 km.

Reporting Fringe Benefits on Employee's Payment Summaries

Please note that as an employer you are required to report the **grossed up taxable value** of fringe benefits provided to your employees on their **30 June 2018** payment summary for those employees whose taxable value of benefits is more than \$2,000.

A schedule will be forwarded to you on completion of the FBT return. The schedule will provide the Reportable benefits and the amounts to be included for Payroll tax (where applicable) and Worker's Compensation.

Effect of Goods and Services Tax

1. Taxable Value

Where you are eligible to claim an input tax credit, fringe benefits are calculated using GST inclusive costs. Care needs to be taken when completing the questionnaire to ensure that input tax credits (which will be recorded in a GST Paid account in your balance sheet) are added to the various expenses from your profit and loss accounts to obtain the GST inclusive value of purchases on your Activity Statement.

2. Employee Contributions

Where an employee makes a "set-off" contribution to reduce the taxable value of the benefit, the contribution is a taxable supply and subject to GST. A schedule will be forwarded to you on completion of the FBT return to include the GST in your next BAS.

Living Away From Home Allowances (LAFHA's)

Living Away From Home Allowances (LAFHA) continues to cause confusion for both employers and employees.

A LAFHA is an allowance paid to an employee by their employer to compensate for additional expenses they incur, and any disadvantages suffered because the employee's job requires them to live away from their normal residence.

As a starting point, FBT applies to the full amount of the allowance that has been paid. However, if certain strict conditions can be satisfied the taxable value of the LAFHA fringe benefit can be reduced by the exempt accommodation and/or food component.

Common errors include:

- Mischaracterising an employee as living away from home when they are really just travelling in the course of their work.
- Failing to obtain the declarations required from employees who have been provided with a LAFHA.
- Claiming a reduction in the taxable value of the LAFHA benefit for exempt accommodation and food components in circumstances that don't meet the criteria.
- Failing to substantiate accommodation expenses and, where required, food or drink. Verifying accommodation expenses is important as the ATO will look closely for scenarios where employees are paid an allowance but go and stay with friends or relatives or stay somewhere cheaper and pocket the difference. The expense actually has to be incurred and substantiated.

Problems with Not Lodging an FBT Return

If an entity does not have an FBT amount payable (for example there have been sufficient employee contributions to reduce the taxable value of the benefits provided to NIL), we recommend that an FBT return still be lodged.

By not lodging an FBT return the ATO will have an unlimited amendment period for matters relating to FBT in a relevant year. This is because the lodgment of an FBT return is required to start the amendment timeframe.

If you have any queries in relation to any of the items mentioned above or in relation to fringe benefits please contact your Business Advisor.

Regards
TRICOR CHEW AND DORMERS PTY LTD



Tony Dormer
Director