
FBT RETURN

Action Checklist

March 2005



From
OTS MANAGEMENT PTY LTD

ADVICE FROM OUTSIDE THE SQUARE

Gross-up Rates

To ensure the neutrality between an employee receiving a fringe benefit or cash salary taxed at the highest marginal rate within the context of the GST system, employers need to allocate taxable fringe benefits into either the type 1 fringe benefits or the type 2 fringe benefits category.

Which gross-up rate to apply depends on whether the provider of the fringe benefit (generally the employer) was entitled to input tax credits for the acquisition of the benefit.

Type 1 Gross-up Rate

If the provider is entitled to an input tax credit, the type 1 gross-up rate will apply (2.1292).

Type 2 Gross-up Rate

If no input tax credits are available to the provider, then the type 2 gross-up rate will apply (1.9417). This was the only gross-up rate that applied before the introduction of the GST.

After applying the correct gross-up rate, the FBT rate for the year ending 31 March 2005 is 48.5%.

Only the type 2 gross-up rate will apply for reporting amounts on employees' PAYG payment summaries (formerly group certificates), regardless of the gross-up rate used for the FBT return.

Checklist — Types of Benefits

Motor Vehicles

- Was the employer entitled to input tax credits for the purchase of the vehicle?

Statutory Formula Method

- What is the cost price of the vehicle (or lease value) and on-road costs GST inclusive?
- What are the costs of any fitted accessories?
- What were the opening and closing odometer readings for the current FBT year?
- How long has the vehicle been owned or leased? (If owned for more than four years on 1 April 2005, the cost base can be reduced by one-third.)
- Were there any days during the year when the vehicle was unavailable for private use? Check that the number of days the 'car was used or available for private use' is correct.
- What running costs have been paid by the employee? Are appropriate evidentiary documents maintained?
- Confirm the vehicle is a car as defined in subsection 136(1) of the *Fringe Benefits Tax Assessment Act 1986*.
- Cars acquired on or after 1 July 2002 depreciated at the deemed rate of 18.75%.

Statutory Car Rates

Kilometres travelled	Statutory %
Less than 15,000	26
15,000 – 24,999	20
25,000 – 40,000	11
Above 40,000	7

Operating Cost Method

- Is this the first year the car was held? If so, has a log book been kept for a minimum continuous period of 12 weeks?
- What were the opening and closing odometer readings for the current FBT year?
- Have you made a reasonable estimate of the business kilometres travelled and the business use percentage? (This must be in writing.)
- Where the employer already owned the vehicle at the start of the FBT year what is its written down value on 1 April 2004?
- What are the total running costs of the vehicle?

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Log Book Records

These records must be maintained for a minimum continuous period of 12 weeks (this will generally be in the first year of the vehicle's use).

A new log book will need to be kept every five years. The log book must at least include:

- the date the business journey began and ended;
- the odometer reading at the beginning and end of the business journey;
- the purpose of the journey; and
- the number of kilometres travelled in the course of the journey.

It is imperative that all entries in the log book are made at the end of the journey or as soon as reasonably practicable after the journey.

Car Parking

- Have car parking benefits been provided? If so, the different methods for valuing the taxable car spaces will need to be considered.
- For 2004/05 the car parking threshold is \$6.28 per day.
- Was the employer entitled to input tax credits for providing the car parking?

Loans and Debt Waivers

- For 2004/05 the benchmark interest rate is 7.05%. What is the interest rate charged on the loan?
- Has the loan been used for income-producing purposes by an employee?
- What is the loan balance at the beginning of the FBT year and has the balance changed during the year?

- What documentation is available for the loan?
- When was the loan granted and was the loan wholly for private purposes?
- Have any employee debts been waived or released since 1 April 2004?

Expense Payments/Reimbursements

- Have any expense payments/reimbursements been made on behalf of or to employees?
- Would any of the expenses or reimbursements have been tax deductible to the employee if they had been paid for by the employee?

If so, have appropriate declarations been obtained to substantiate the reduction in taxable value?

- Was the employer entitled to input tax credits for the expense?

Housing and Board

- Has the employee been granted a right to occupy a unit of accommodation as the employee's usual place of residence?
- Is board provided to employees where two or more meals per day are provided by the employer on the employer's premises to employees?
- Is the employer entitled to input tax credits for providing housing and meals?

Living-away-from-home Allowance (LAFHA)

- What is the value of LAFHAs paid to employees?
- Has the employee provided a declaration confirming that they are living away from their usual place of residence for housing and meals?

Property Fringe Benefits

- Property includes goods, shares and real property.
- What goods are provided to each employee, excluding goods provided for business purposes?
- What amounts are paid by the employer for the goods provided?
- Would the goods have been tax deductible to the employee if they were purchased by the employee?
- Identify employer-provided goods and those provided from other sources.
- Has an allowance for the \$500 exemption for in-house benefits been made?
- Was the employer entitled to input tax credits for providing the property?

Entertainment

The provision of employee entertainment may result in a number of fringe benefits, e.g. a property, expense payment or residual benefit with the taxable value calculated as per the rules of the benefit concerned.

Employers who provide meal entertainment benefits can calculate their FBT liability using three different methods. These are the 50/50 split method, the 12-week register method and the actual expenditure method.

Residual Benefits

- If there are any additional benefits provided to employees, determine the value and amount, if any, paid by the employee.
- Would any of these benefits have been tax deductible to the employee if they were paid for by the employee?
- Was the employer entitled to input tax credits for providing the benefit?

Important: This is not advice. Clients should not act solely on the basis of the material contained in this Bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.