WILSON PATERAS
ACCOUNTANTS & ADVISORS

FRINGE BENEFITS TAX FACT SHEET

What every employer needs to know about fringe benefits

On **31 March 2018**, the Fringe Benefits Tax (FBT) year ends. With the ever increase budget deficits, the ATO will be reviewing whether all employers who should be paying FBT are, and that they are paying the right amount.

To help you meet your fringe benefits obligations, we've put together a list of essentials every employer needs to know about FBT and review every year, such as:

- Should I be registered for FBT?
- What information do I need to give my accountant?
- What changes to the FBT rates came into effect on 1 April 2017?
- What is exempt from FBT?
- How can I reduce my FBT liability?
- What are the new safe harbour provisions for 'Workhorse Vehicles'?
- Are the benefits I pay my employees minor and infrequent?
- Do I need to review our salary sacrifice agreements?

1. FBT RATE CHANGES

On 1 April 2017, the FBT rates were decreased to:

FBT Rate	47%
Type 1 Gross Up Rate	2.0802
Type 2 Gross Up Rate	1.8868

2. SHOULD YOU BE REGISTERED FOR FBT?

Generally, if you have employees, including directors and you provide them with cars, car parking, entertainment (food and drink), employee discounts, reimburse private expenses etc, then you are likely to be providing a fringe benefit and we will need to register your business for FBT.

It's important you start gathering all the details of these provided benefits as soon as possible using our annual FBT Questionnaire, so we can calculate any potential FBT liability and **lodge your FBT return on time – due 25 June 2018 with payment to be made by 28 May 2018**.

3. WHAT ITEMS ARE EXEMPT FROM FBT?

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If you're providing items like mobile phones, laptops, tablets, portable printers, protective clothing, tools of trade etc., or minor and infrequent benefits that are less than $300 in value, you are unlikely to have to worry about FBT.

The exemption only applies if the benefits are both minor and infrequent.

You can fill out our **FBT Questionnaire** to be 100% sure.

4. AN EASIER WAY TO MANAGE YOUR VEHICLE LOG BOOKS

For employers with 20 or more 'tools of trade' cars – a car required for the job, like for a sales rep travelling extensively for the business – the ATO has a new process for validating the business use percentage of the car.

It's called the 'simplified method', and if you meet the access conditions, you can apply an average business use percentage to all 'tools of trade' cars in your fleet for first log book year and the next 4 years. Conditions to be met are:

- valid log books kept for at least 75% of the cars in the log book year;
- the employer chose the make and model of the car, not the employee;
- each fleet car has less value than the 'luxury car' limit when purchased, generally $65,094 in 2017/2018;
- the cars aren't provided under a salary packaging arrangement / employee remuneration package; and
- your employees can't choose to receive additional remuneration in lieu of using the cars.

5. ARE YOU AWARE OF THE NEW SAFE HARBOUR PROVISIONS FOR WORKHORSE VEHICLES?

For the first time the ATO has now released safe harbour guidelines for employees that are provided with workhorse vehicles. In a nutshell, the ATO has provided that where the vehicle first meets the definition of a workhorse vehicle, and provided that the private use of the vehicle satisfies the following conditions that car will be exempt from FBT:

- Any diversions for private travel between the employee's home and their place of work and these journeys add no more than two kilometres to the ordinary length of that trip (e.g., dropping children off at school on the way to work);
- No more than 750 kilometres in total for each FBT year are taken for a wholly private purpose (i.e., multiple journeys): and
- No single, return journey undertaken by the employee that is wholly private purpose exceeds 200 kilometres.

6. SHOULD YOU LODGE AN FBT RETURN EVEN IF NO FBT IS PAYABLE?

Where no FBT is payable there is legally no need to lodge an FBT return, but should you lodge one anyway?

Our answer to this question is; **yes**. We recommend that you even where no legal obligation exists to lodge an FBT return we should lodge one anyway. The primary reason for this at that it then reduces the ATO's audit window to only three years.

7. WAYS YOU CAN REDUCE YOUR FBT LIABILITY

Here are some ways in which you can reduce your FBT liability:

- replace your fringe benefits with cash salary;
- provide benefits that your employees would be entitled to claim as an income tax deduction if they had to pay for the benefits themselves;
- look at providing benefits that are exempt from FBT; and
- use employee contributions, for example, an employee paying for some of the operating costs of car fringe benefit such as fuel that you don't reimburse them for. Though you should note that employee contributions may be deemed assessable income to you and subject to GST.

HOW WE CAN HELP YOU!

The FBT year ends on 31 March 2018, so be sure to complete and return the **FBT Questionnaire** as soon as possible so you don't miss the lodgement date of 25 June 2018 and meet the payment due date of 28 May 2018.

We look forward to helping you meet your FBT obligations and are available anytime to answer any questions you have around reducing your FBT liability or creating effective salary sacrifice arrangements.

Our extraordinary team are here to help you. Please **contact us** for help from the Wilson Pateras Team anytime.

We love helping you make smarter decisions now, so you can have a beautiful future!

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