

## ***FBT INFORMATION SHEET***

### ***Car Fringe Benefit***

A car fringe benefit most commonly arises when a car which is owned or leased by an employer is made available for the private use of an employee.

The following types of vehicles (including four wheel drive vehicles) are cars:

- motor cars, station wagons, panel vans and utilities;
- any other goods-carrying vehicles with a designed carrying capacity of less than 1 tonne;
- any other passenger-carrying vehicles with a designed carrying capacity of fewer than 9-occupants.

A car is taken to be made available for private use by an employee on any day when:

- it is actually used for private purposes by the employee; or
- the car is not at the employer's premises, and the employee is allowed to use it for private purposes; or
- the car is garaged at an employee's home, regardless of whether or not the employee has permission to use it privately.

In determining the number of days a car is not available for private use such as when the employee is overseas, unless the car is left at a commercial storage facility or impounded at the employer's business premises then the car will still be considered available for private use.

As a general rule travel to and from work is private use of a vehicle.

*Using the statutory formula method to determine car fringe benefits, the more kilometres travelled the lower the tax liability. If your annual kilometres is less than 15,000 the taxable value of your car fringe benefit is based on 26% of the cost of the car, 15,000 to 24,999kms 20% of the cost of the car, 25,000 to 40,000 11% and over 40,000kms 7% of the cost of the car.*

Private use of a motor vehicle which is **not** a car may give rise to a residual fringe benefit.

### ***Debt waiver fringe benefit***

A debt waiver fringe benefit is the waiving or forgiving of an employee's debt. For example, if an employer who has sold goods to an employee later tells the employee not to bother about paying the amount invoiced for them, then the employer has provided a debt waiver fringe benefit.

A debt owed by an employee which is written off as a genuine bad debt is not a debt waiver fringe benefit.

### ***Loan fringe benefit***

A loan fringe benefit arises from a loan to an employee on which a low rate of interest (or no interest) has been charged during the FBT year. A low rate of interest is one which is less than the statutory rate of interest. This rate for 1st April 2009 to 31st March 2010 is 5.85%.

When an employer releases an employee from the obligation to repay the loan, a debt waiver fringe benefit may arise.

### ***Expense payment fringe benefit***

An expense payment fringe benefit may arise in either of two ways. The first is where an employer reimburses an employee for expenses incurred by the employee. The second is where an employer pays a third party in satisfaction of expenses incurred by an employee. In either case, the expenses may be 'business' expenses, private expenses or a combination of the two.

It is important to remember that employee cents per kilometre reimbursements are shown as assessable allowances on the employee's PAYG Payment Summary.

### ***Housing fringe benefit***

If an employee is provided with the right to use a unit of accommodation **and** if that unit of accommodation is the usual place of residence of the employee, then the right to use the unit of accommodation is a housing fringe benefit.

### ***Living-away-from-home allowance fringe benefit***

For FBT purposes a living-away-from-home allowance is an allowance paid by an employer to an employee to compensate for additional expenses (eg. accommodation & meals) incurred and disadvantages (if any) suffered because the employee is required to live away from home in order to perform his or her duties of employment.

### ***Airline transport fringe benefit***

An airline transport fringe benefit arises where employees of airlines or travel agents are provided with free or discounted air travel on a standby basis.

### ***Board fringe benefit***

The provision of a meal to an employee is a board fringe benefit if the employee is entitled to the provision of accommodation and the following conditions are satisfied:

there is an entitlement under an industrial award to be provided with at least two meals a day, or under an employment arrangement at least two meals a day are ordinarily provided;

- the meal is supplied by the employee's employer (if the employer is a company, the meal may be supplied by a related company in a wholly owned group);
- the meal is cooked or prepared on the employer's (or related company's) premises or on a work site or place adjacent to a work site; and
- the meal is supplied on the employer's premises (or the work site) or on the premises of a related company.

### ***Entertainment fringe benefit***

Meal entertainment means the provision of:

- (a) entertainment by way of food, or drink; or
- (b) accommodation or travel in connection with, or to facilitate the provision of, such entertainment;

Examples of meal entertainment are business lunches and social functions.

Recreation entertainment includes:

- (a) amusement (eg. going to pictures or leisure centres);
- (b) sport and other leisure-time pursuits; and
- (c) recreation, or amusement provided on, or by means of, a vehicle, ship, vessel or aircraft (eg. tour flights, sight-seeing tours, flights interstate, harbour/boat cruises, etc.

### ***Car parking fringe benefit***

Broadly, a car parking fringe benefit may arise when an employer provides car parking facilities for an employee at or near his or her place of employment and there is a commercial parking station available for all day parking (i.e., parking for 6 continuous hours between 7am and 7pm) within a 1 km radius of the premises on which the car is parked and charging an all day parking fee greater than \$7.25 on the 1<sup>st</sup> April 2009. *Car parking provided by a small business (total income less than 10 million) are fringe benefits tax exempt.*

### ***Property fringe benefit***

A property fringe benefit arises when an employee is provided with property, free or at a discount, by an employer.

For FBT purposes, property includes:

- all goods and services of the employer, including animals;
- real property, such as land and buildings; and
- choses in action, such as shares or bonds.

### ***Residual fringe benefit***

Any fringe benefit that is not subject to any of the other rules is called a residual fringe benefit (ie those fringe benefits which are the 'remainder' or are 'left over' because they are not one of the more specific categories of fringe benefit).

A residual fringe benefit could include, for example, the provision of services (eg travel, or the performance of professional or manual work) and the use of property. It would also include the provision of insurance coverage, eg health insurance coverage under a group policy taken out by an employer for the benefit of employees.

### ***Warning – FBT Exemption for eligible work-related items***

Recent changes have been made to FBT exemption that applied to most eligible work-related items such as laptop computers. For such items acquired after 13 May 2008, they must be primarily for use in the employee's employment before they can qualify for the exemption. The onus is on the employer to have a sound basis for concluding that an eligible work-related item is primarily for use in an employee's employment.

***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. This 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.*