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FBT Return - Action Checklist

Gross-up Rates

	Yes	No
Are you entitled to a GST refund on the provision of the fringe benefit? <i>If yes, the Type 1 gross-up rate will apply: 2.0647. If no, the Type 2 gross-up rate will apply: 1.8692.</i>		
Have the reportable fringe benefits amounts on the employees' PAYG payment summaries been grossed-up using the Type 2 gross-up rate? <i>Only the Type 2 gross-up rate will apply for reporting purposes regardless of the gross-up rate used for the FBT return.</i>		

Checklist — Types of Benefits

Type of fringe benefit	Yes	No
Car fringe benefit		
Was a vehicle made available to an employee (or their associate) for private use and the vehicle is owned or leased by you, an associate of yours or a third party pursuant to an agreement with you? <i>If yes, a car fringe benefit potentially arises.</i>		
Was the vehicle provided designed to carry less than one tonne or fewer than nine passengers? <i>If yes, a car fringe benefit potentially arises. If no, the fringe benefit may be a residual benefit.</i>		
Were you entitled to a GST refund for the purchase or lease costs of the vehicle? <i>If yes, the value of the benefit will be grossed-up by 2.0647. If no, the value of the benefit will be grossed-up by 1.8692.</i>		
Did the employee contribute to the running costs of the vehicle? <i>The value of the benefit will be reduced by the employee's contribution where appropriate evidentiary documents have been maintained.</i>		
Has an election been made to use either the statutory formula method or the operating costs method? <i>The statutory formula method has to be used unless an election has been made to use the operating costs method.</i>		
Has the valuation method been switched from the previous year? <i>If the statutory formula method was used in the previous year and the operating costs method has been elected in this current year, has a logbook been maintained?</i>		
Car parking fringe benefit		
Did you meet the costs or part thereof for the car parking expenses of an employee, provided that the car being parked is designed to carry a load of less than one tonne or fewer than nine passengers and the following conditions are present: <ul style="list-style-type: none"> • the car is parked on the business premises; • the car is used by the employee to travel between home and work and is parked at or in the vicinity of employment; • the car is parked for periods totalling more than four hours between 7 am and 7 pm; and • a commercial car parking station is located within a kilometre of the premises where the car is parked and the operator of the parking station charges more than \$6.78 for all-day parking. <i>A car parking benefit potentially arises if the answer is yes.</i>		

Type of fringe benefit	Yes	No
Does your business meet the requirements to be classified as a small business entity (SBE) for income tax purposes? <i>If you have been classified as a SBE, an exemption from car parking fringe benefits arises.</i>		
Has an election been made for calculating the number of car parking benefits provided: actual usage records method, statutory formula method, or 12-week register method? <i>Where no election has been made, the actual usage records method must be used.</i>		
Has an election been made for calculating the value of car parking benefits provided: commercial parking station method, market value basis, or average cost method? <i>The commercial parking station method will automatically apply if no election has been made.</i>		
Entertainment fringe benefit		
Has an election been made to use either the 50/50 split method or the 12-week register method? <i>If no election is made, the taxable value is determined based on actual expenditure.</i>		
If using the 12-week register method, is the register still valid? <i>A register is only valid for the FBT year in which the register period ends and the next four FBT years provided that the total GST-inclusive entertainment costs do not vary by more than 20% between each FBT year.</i>		
Did the employee (or their associate) contribute to the provision of the benefit? <i>The taxable value of the benefit is reduced by any such contributions.</i>		
Loan fringe benefit		
Was a loan made to an employee (or their associate) during the FBT year? <i>A fringe benefit may potentially exist.</i>		
Was the interest rate charged on the loan lower than the notional FBT interest rate (8.05%)? <i>The taxable value of the benefit is the amount by which the notional interest rate calculated on the loan for the year exceeds the amount of interest that has actually accrued on the loan during the year.</i>		
Was the interest on the loan paid at least every six months? <i>If the interest is not paid at least every six months, a new loan equivalent to the deferred interest component will arise.</i>		
Did the employee use the loan for income-producing purposes, and thus would be entitled to a deduction (in their personal income tax return) in respect of the interest incurred? <i>The taxable value of the benefit is reduced by the amount which the employee would be entitled to a deduction, provided a declaration has been given setting out particulars to the use to which the loan was put to.</i>		
Property fringe benefits		
Was any property provided in respect of an employee's employment? <i>Property includes all tangible and intangible property. Examples of property are goods, shares and real property.</i>		
Have employer-provided property (in-house property fringe benefits) and those provided from other sources (external property fringe benefits) been identified? <i>The taxable values for the former and latter are calculated differently.</i>		
If the benefit is an in-house property fringe benefit, has the \$1,000 exemption been applied? <i>The first \$1,000 of the benefit is exempt from FBT. The taxable value is 75% of the amount after the \$1,000 exemption has been applied less the amount (if any) paid by the employee.</i>		
If the benefit was an external property fringe benefit, were you dealing with the external party at arm's length? <i>Where the dealing was not at arm's length, the taxable value is the amount the employee could reasonably be expected to pay to acquire the property under an arm's length transaction, reduced by any employee contribution. For an arm's length transaction, the taxable value of the benefit is the expenditure incurred for the property reduced by any employee contribution.</i>		

Type of fringe benefit	Yes	No
Was the employee entitled to a deduction (in their personal income tax return) if they had incurred expenditure equal to taxable value of the benefit after reduction for any consideration paid by the employee (the otherwise deductible rule)? <i>The taxable value of the benefit can be further reduced by the amount that the employee could have deducted. This further reduction applies to both the in-house property fringe benefit and the external property fringe benefit.</i>		
Is an employee declaration required? <i>The otherwise deductible rule requires an employee declaration setting out details sufficient to establish the connection between the property provided and the income-producing activities of the employee. However, if the property was exclusively in the course of the employee's employment, no declaration is required.</i>		
Expense payment fringe benefit		
Did you pay or reimburse an employee (or their associate) for any expenses incurred by them? <i>Potentially, an expenses payment fringe benefit arises.</i>		
Was the payment or reimbursement for an item that was used solely for an income generation purpose? <i>If there was no private usage of the item, a fringe benefit does not arise. However, the employee must supply a 'no-private-use declaration'.</i>		
Did the employee contribute towards the provision of the benefit? <i>The taxable value of the benefit (which is the amount of the expenditure paid or reimbursed) is reduced by the amount of the employee's contribution.</i>		
Would the 'otherwise deductible rule' apply? <i>The taxable value of the benefit can be further reduced by the amount that the employee could have deducted in their personal income tax return.. This further reduction applies to both the in-house property fringe benefit and the external property fringe benefit.</i>		
Debt waiver fringe benefit		
Was an employee (or their associate) released from an obligation to pay an amount owing since 1 April 2007? <i>A debt waiver benefit potentially arises.</i>		
Was the reason for the waiver in connection with the employment of the employee? <i>A debt waiver benefit can only occur if it is waived for reasons related to the employee's employment.</i>		
Miscellaneous exempt benefits		
Was the employee provided with any work related items such as laptop computers, subscription to trade and professional journals, and mobile phones primarily used in the employee's employment? <i>Work-related items provided to employees could attract an exemption from FBT.</i>		
Were there any infrequent and irregular benefits with a notional taxable value of less than \$300 per benefit being provided? <i>A benefit with a notional taxable value of less than \$300 does not automatically attract an exemption from FBT unless it is infrequent and irregular. Refer to this month's newsletter for further information on when the exemption will apply.</i>		

Rates and threshold

	FBT year ending 31 March 2008	FBT year ending 31 March 2007
FBT tax rate	46.5%	46.5%
Type 1 gross-up rate	2.0647	2.0647
Type 2 gross-up rate	1.8692	1.8692
Fringe benefits reporting exclusion threshold	\$2,000	\$1,000
Car parking threshold	\$6.78	\$6.62
Benchmark interest rate	8.05%	7.30%
Maximum notional taxable value for a minor benefit	\$300	\$100
Statutory car rates for car fringe benefit:		
Kilometres travelled	Statutory	Statutory
Less than 15,000	26%	26%
15,000 – 24,999	20%	20%
25,000 – 40,000	11%	11%
Above 40,000	7%	7%

Cents per kilometres for motor vehicle (where benefit is a residual benefit):

Engine capacity	Rate per kilometre	Rate per kilometre
0 – 2,500cc	41 cents	40 cents
Over 2,500cc	49 cents	48 cents
Motor cycles	12 cents	12 cents

Deemed depreciation rate – cars

Date car purchased	Depreciation rate	Depreciation rate
On or after 10 May 2006	18.75%	18.75%
From 1 July 2002 to 9 May 2006	18.75%	18.75%
Up to and including 30 June 2002	22.5%	22.5%

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.