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UNIVERSITY  
Fringe Benefits Tax  
Guide  
2015

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## FRINGE BENEFITS TAX GUIDE

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## **INTRODUCTION**

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This guide is intended for University staff to provide some background to the University's fringe benefits tax (FBT) obligations, calculations and reporting.

The principal legislation dealing with FBT is The Fringe Benefits Tax Assessment Act (Cth) 1986 (FBT Act). The tax commenced operation on 1 July 1986 and is imposed by the Commonwealth government.

The guide has been prepared based on current legislative requirements having regard for the numerous ATO rulings, decisions and guidelines.

Finance Office is responsible for ensuring that the University's obligations are met – FBT is not at the discretion of the University. If a "benefit" has been provided to an employee, the University must consider and apply the relevant FBT rules.

The information contained in this guide is technical and complex. This simply reflects the nature of the tax and the University's obligations.

### **1. GENERAL INFORMATION**

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#### **a. Fringe Benefit**

A fringe benefit is a benefit that is provided to an employee, or an "associate" of an employee, in respect of the employee's employment.

A "benefit" is widely defined to capture any right, privilege, service or facility.

An associate is any spouse, partner, child or other relative of the employee.

An employee may be a present, past or future employee.

A fringe benefit may be regarded as any form of non-cash remuneration and includes benefits provided by the employer, or under arrangement with the employer, by a third party.

#### **b. Liability for FBT**

The liability for FBT rests with the University (the employer) and is charged to the relevant cost centre/project. The provision of a fringe benefit does not give rise to an income tax liability for the employee.

#### **c. FBT Year**

The FBT year is 1 April to 31 March. This is set by the FBT Act – it does not coincide with the standard nor the University's financial year.

#### **d. FBT Return and Instalments**

The University's FBT return for the year ended 31 March must be lodged with the ATO by 21 May each year. The return is completed and lodged by the Finance Office.

Each quarter (June, September, December, March), the University is required to pay an FBT instalment to the ATO and the instalment is equal to ¼ of the University's FBT liability as calculated and declared in the last lodged FBT return. The instalment is charged out to each centre/project each month and is based on the previous FBT liability.

**e. Rate of Tax**

The current FBT rate (for the 2014/15 FBT year) is 47% and does change from time to time -

<u>FBT Year</u>	<u>FBT Rate</u>
2014/15	47%
2013/14	46.5%
2012/13	46.5%
2011/12	46.5%

**Taxable Value of fringe benefits**

FBT is calculated on the "grossed up" value of the fringe benefit. Accordingly, the relevant gross-up factor is applied to the value of the benefit. There are two gross-up factors – type 1 applies where the University is entitled to a GST credit in respect of the benefit and type 2 applies where the University is not entitled to a GST credit.

**From 1 April 2014 the Australian Taxation Office has introduced a change in the FBT tax and gross-up rates.**

Type 1 gross-up rate shifting from 2.0647 to 2.0802

Type 2 gross-up rate shifting from 1.8692 to 1.8868

Therefore, FBT will be calculated as follows:

- i. Type 1 benefit: Cost of benefit includes GST and the University is entitled to claim a GST credit –

*value of benefit incl GST \* 2.0802 \* 47%*  
(an effective FBT rate of 97.77%)

- ii. Type 2 benefit: University is not entitled to claim a GST credit –

*value of benefit \* 1.8868 \* 47%*  
(an effective FBT rate of 88.68%)

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**2. CAR FRINGE BENEFITS**

**a. Introduction**

The most significant benefit provided by the University is car fringe benefits. There are two methods – statutory fraction and operating cost - for calculating the FBT on vehicle benefits. Finance shall determine the most appropriate method for the University as a whole having regard for potential liability and administrative compliance.

A car fringe benefit will arise where –

- The motor vehicle is a car<sup>\*1</sup>;
- The car is provided to an employee or an associate of the employee (e.g.: partner, dependant);
- The car is “held” by the University;
- The car is either (a) applied for private use; or (b) made available for private use<sup>\*2</sup>.

Where the above requirements are satisfied at *any time on a day*, a car fringe benefit will be deemed to have been provided on that day and the University will have an FBT obligation.

<sup>\*1</sup> - for FBT purposes, a car is any motor car, station wagon, panel van, utility or similar vehicle designed to carry a load of less than one tonne; or any other vehicle designed to carry a load of less than one tonne and fewer than 9 passengers.

<sup>\*2</sup> - a car deemed to be available private use is subject to FBT. A car is deemed to be available for private use where:

- i. the car is garaged at the employee’s (permanent or temporary) residence; or
- ii. the car is not garaged on University property and the employee has the use, custody or control of the car.

There is no discretion in this deeming provision. An employee’s place of residence is widely defined to include a place where the employee lives or has sleeping accommodation whether on a permanent or temporary basis. This may be an employee’s home or hotel accommodation. Actual private use is irrelevant. The place of garaging is the determinant taxing factor. This is significant where pool or section (dedicated) vehicles are booked and taken overnight by an employee. The employee will be deemed to have control or custody of the car and accordingly there will be a car fringe benefit.

## **b. Methods for Calculating FBT**

Where a car fringe benefit has been provided to an employee or their associate, the taxable value of the benefit is to be determined in accordance with the FBT Act. The methods available are the Statutory Fraction Method and the Operating Cost Method. The FBT rate is then applied to the value of the benefit to determine the University’s FBT liability. The Statutory Fraction method shall apply where no election to adopt the Operating Cost method has been made.

- i. Statutory Fraction Method – this is the method that has been traditionally adopted by the University for determining the FBT liability on car fringe benefits. The statutory fraction method will generally result in a lower FBT liability and requires the least amount of compliance and administrative record keeping.

The taxable value of a car fringe benefit is calculated as follows –

$$\frac{A*B*C}{D} - E$$

Where –

A is the cost of the vehicle including GST;

B is the relevant Statutory Fraction;

C is the number of days during the FBT year that a car fringe benefit was provided;

D is the number of days in the FBT year;

E is the amount (if any) of the employee's post tax contribution (note that the amount that is a pre-tax salary contribution, i.e.: the amount that is salary sacrificed cannot be used as an employee's contribution)

The Statutory Fraction ("B" in the above formula) is determined by reference to the annualised kilometres travelled by the vehicle in the FBT year. Where a car has not been held by the University for the full FBT year, the kilometres are annualised to determine the total kilometres that would have been travelled by a car during the period ((kilometres travelled/number of days held) \* number of days in FBT year).

**A flat statutory rate of 20% applies (subject to transitional rules), regardless of the distance travelled, to all car fringe benefits you provide after 7.30pm AEST on 10 May 2011 (except where there is a pre-existing commitment in place to provide a car).**

The statutory percentages for car fringe benefits provided prior to 7.30pm AEST on 10 May 2011, or where you have a pre-existing commitment in place to provide the car after this time, are as follows

**Existing contracts**

Total kms travelled in FBT year	Statutory %
0 - 14,999	26
15,000 - 24,999	20
25,000 - 40,000	11
Over 40,000	7

You can continue to use these statutory rates for all pre-existing commitments unless there is a change to that commitment.

**Transitional arrangements and rates**

The move to one statutory rate of 20% will be phased in over four years. There will be transitional arrangements that apply to any new commitments entered into from 10 May 2011 to 31 March 2015. Where there is a change to a pre-existing commitment these transitional arrangements will also apply. The following statutory rates should be used:

Total kms travelled in FBT year	Statutory %			
	From 10 May 2011	From 1 April 2012	From 1 April 2013	From 1 April 2014
0 - 14,999	20	20	20	20
15,000 - 25,000	20	20	20	20
25,000 - 40,000	14	17	20	20
Over 40,000	10	13	17	20

Consequently, in March each year, requests are sent out for odometer readings for cars held by the University. This is so that the correct statutory fraction can be applied.

Example 1 –

A car is owned by the University for the full FBT year and is salary sacrificed by an employee. The cost of the car, including options and GST is \$38,000 and there have been no post-tax contributions made by the employee. The car has travelled 40,000km in the FBT year.

*The taxable value of the car is:*

$$\frac{\$38,000 * 0.20 * 365}{365} - \$0 = \$7,600$$

*The University's FBT liability is:*

Taxable Value \* gross-up factor type 1 \* FBT rate

$$\$2,660 * 2.0802 * 47\% = \$2,606.67$$

Example 2 –

The same facts as example 1, however, the car has travelled 42,000km in the FBT year.

*The taxable value of the car is:*

$$\frac{\$38,000 * 0.17 * 365}{365} - \$0 = \$6,460$$

*The University's FBT liability is:*

Taxable Value \* gross-up factor type 1 \* FBT rate

$$\$6,460 * 2.0802 * 47\% = \$6,315.90$$

Example 3 –

A vehicle is owned by the University for 91 days of the FBT year and is salary sacrificed by an employee. The cost of the vehicle is \$38,000 including options and GST. The vehicle has travelled 7,500km in the FBT year.

*The annualised kilometres are:*

$$\frac{7,500 * 365}{91} = 30,082\text{km}$$

*The taxable value of the car is:*

$$\frac{\$38,000 * 0.20 * 91}{365} - \$0 = \$1,894.80$$

*The University's FBT liability is:*

Taxable Value \* gross-up factor type 1 \* FBT rate

$$\$1,894.80 * 2.0802 * 47\% = \$1,852.53$$

- ii. Operating Cost Method – the taxable value of a car fringe benefit is based on the operating costs of the car during the period over which the benefit is provided. That cost is then apportioned between business use and non-business use during that period. This method requires significant record keeping including details of each trip recorded in a log book by employees. Note that travel from an employee's residence to their normal work place is non-business use and cannot be included as business travel.



### **3. MEAL ENTERTAINMENT FRINGE BENEFITS**

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#### **a. Introduction**

Meal entertainment provided to employees of the University and their associates is subject to FBT. The University is exempt from income tax and therefore the category of benefit for FBT purposes is a “tax exempt body entertainment fringe benefit”.

The general definition of ‘entertainment’ for FBT purposes is taken from the Income Tax Assessment Act (Cth) 1997 (the Income Tax Act) and includes expenditure for the purposes of entertaining by way of food, drink or recreation. It includes accommodation or travel incurred to facilitate such entertainment.

#### **b. Meaning of Entertainment**

Meal entertainment arises when food and/or drink is provided to employees and has “the character of” entertainment. The meal may be substantial, may be part of a social gathering, or may be consumed in a variety of forums. In order to determine if food or drink is entertainment, it is necessary to determine if the circumstances constitute entertainment under the FBT Act or the Income Tax Act. There is no discretion in this matter. The definition of entertainment is clearly stated as –

Entertainment means:

- (a) entertainment by way of food, drink or recreation; or
- (b) accommodation or travel to do with providing entertainment by way of food, drink or recreation.

You are taken to provide entertainment even if business discussions or transactions occur.

These are some examples of what is entertainment:

- i. business lunches
- ii. social functions.

This legislative definition is designed to capture a broad range of scenarios including social gatherings, business lunches, cocktail parties and dinners.

The table at the end of this section has been extracted from ATO ruling TR97/17 and provides a guide on the FBT implications for meal entertainment.

#### **Example 1 –**

A provost campus end of year function held on campus is attended by 180 employees and 20 visitors (not associates of employees). The cost of the function including GST is \$2,000.

The cost is apportioned between employees and visitors to determine the taxable value (FBT is only payable on the employee proportion).

*The employee proportion is calculated as follows –*

$$\$2,000 * \frac{180}{200} = \$1,800$$

*The University's FBT liability is:*

Taxable Value \* gross-up factor type 1 \* FBT rate

$$\$1,800 * 2.0802 * 47\% = \$1,759.85$$

Therefore the total charge to the provost project for the function will be (\$2,000 + \$1,759.85) = \$3,759.85

Example 2 –

Three University employees meet at a local café to discuss business. No alcohol is consumed. The bill total is \$90 and is paid by one of the employees with their University corporate credit card.

This will be deemed to be entertainment in accordance with the definition stated above.

*The University's FBT liability is:*

Taxable Value \* gross-up factor type 1 \* FBT rate

$$\$90 * 2.0802 * 47\% = \$87.99 \text{ (note that the FBT liability will be charged to the same centre/project as the cost of the meal).}$$

The total cost charged to the centre/project for the business meeting will be \$177.99, i.e. (\$90 + \$87.99).

Example 3 –

Three University staff and three foreign visitors meet for dinner at a restaurant in the City and the attendees discuss a joint collaboration. The cost of the dinner is \$450 and is paid by an employee using a University corporate credit card.

Again, this will be deemed to be entertainment in accordance with the definition stated above.

*The employee proportion is calculated as follows –*

$$\$450 * \frac{3}{6} = \$225$$

*The University's FBT liability is:*

Taxable Value \* gross-up factor type 1 \* FBT rate

$\$225 * 2.0802 * 47\% = \$219.98$  (note that the FBT liability will be charged to the same centre/project as the cost of the meal).

The total cost charged to the centre/project for the dinner will be \$669.98 i.e. (\$450 + \$219.98).

Example 4 –

In accordance with the [Personal and Discretionary Expenditures Policy](#), a unit holds a Christmas function for its 40 employees and the maximum limit per head (\$20) is applied. The total cost of the function is \$800.

*The University's FBT liability is:*

Taxable Value \* gross-up factor type 1 \* FBT rate

$\$800 * 2.0802 * 47\% = \$782.16$  (this will be charged to the unit).

The total cost of the function charged to the unit will be \$1,582.16.

### **c. Exceptions – What is not entertainment**

- i. Morning and afternoon tea and lunches consisting of finger food (such as sandwiches) consumed on campus – light refreshments consumed in connection with staff meetings, training sessions etc. are not entertainment and therefore are excluded from FBT.
- ii. Eligible Seminars – food and drink provided at an eligible seminar is not entertainment and is therefore excluded from FBT. An eligible seminar must –
  - be a conference, convention, lecture, training session or speech;
  - be more than 4 hours duration (excluding breaks).

However

- business discussions in the normal course of business are not eligible unless it is an exempt training seminar (see below);
  - the sole or dominant purpose of the seminar must not be the promotion or advertising for the business
  - the sole or dominant purpose must not be the provision of entertainment.
- iii. Exempt training seminars – food and drink that is incidental to attendance at an eligible seminar does not attract FBT. To qualify as an exempt training seminar, the seminar must –
    - be organised to discuss general policy issues; and/or
    - enable employees to discuss general policy issues relevant to the internal management of the University's business; and
    - is held at a location that is normally used for such activities.

- iv. Approved business travel – Food and drink consumed when an employee is on approved travel will generally not attract *FBT* (*note that documentation required under the relevant Travel Policies must be completed with e.g.: travel diaries, acquittals etc.*). However, where such food and drink is more than mere sustenance, the character of the meal will be deemed to be entertainment and shall be subject to FBT. For example, a theatre show where the meal is provided, harbour cruises and the like.

**Extract from TR97/17A – Income Tax and Fringe Benefits Tax: Entertainment by way of food and drink**

	Meal Entertainment Y/N	FBT Liable Y/N
Circumstances In Which Food or Drink Provided		
<b>(a) Food or drink consumed on the employer's premises ...</b>		
<b>(a)(i) ... by employees</b>		
1) at a social function	Y	Y
2) morning & afternoon teas & light lunches	N	N
<b>(a)(ii) ... by associates</b>		
1) at a social function	Y	Y
2) morning & afternoon teas & light lunches	N	N
<b>(a)(iii) ... by clients</b>		
1) at a social function	Y	N
2) morning & afternoon teas & light lunches	N	N
<b>(b) Food or drink consumed off the employer's premises ...</b>		
1) ... at a social function or business lunch by employees by associates by clients	Y Y Y	Y Y N
<b>(c) Alcohol</b>		
1) employee travelling - wine accompanies evening meal	N	N
2) alcohol provided at the conclusion of a CPD seminar with finger foods	N	N
<b>(d) Food or drink consumed by employees while travelling</b>		
1) employee travels and dines alone	N	N
2) two or more travelling employees dine together	N	N
3) travelling with client and dine together	N	N
4) as in 3) except employer pays for all meals employee's meal	N	N

client's meal	N	N
5) dines with client who is travelling separately	N	N
6) dines with employee not travelling - travelling employee's meal - non-travelling employee's meal	N Y	N Y
7) dines with client who is not travelling employee's meal provided client's meal	N Y	N N
<b>(e) Employees dining with other employees of the same employer or with employees of associates of the employer</b>		
1) employee entertains another employee and is reimbursed by the employer	Y	Y
2) employee entertains an employee of an associated company of the employer and is subsequently reimbursed employer's employee associate's employee	Y Y	Y Y
<b>(f) Meal consumed by employees while attending a seminar</b>		
1) provided incidental to a seminar that satisfies certain criteria and is not held on the employer's premises	Y/N	N
2) light breakfast provided at a CPD seminar	N	N
3) light refreshments incl. moderate amount of alcohol provided immediately after a CPD seminar	N	N
<b>(g) Food or drink consumed by employees at promotions</b>		
1) function not held on employer's premises and is open to the general public	Y	Y
<b>(h) Meals provided under an arrangement</b>		
1) client does not facilitate or promote an arrangement where its employee is taken out to lunch by another employer client's employee employee of other employer	N Y	N Y
<b>(i) Use of corporate credit card</b>		
1) employees dine together at a restaurant and the meal is paid for with the credit card	Y	Y
<b>(j) Meals for accompanying spouses</b>		
1) with employee travelling on business and employer pays for all meals employee • spouse	N Y	N Y

#### **4. EXPENSE PAYMENT FRINGE BENEFITS**

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##### **a. Introduction**

An expense payment fringe benefit arises in two ways:

1. The University pays a third party in satisfaction of expenses incurred by an employee, or
2. The University reimburses an employee for a payment made by the employee.

Examples include (but are not limited to) –

- Subscriptions
- Telephone calls
- Self-education expenses

Expense payment benefits do not include meal entertainment (see above).

##### **b. Taxable Value**

FBT is payable on the payment/reimbursement made by the University. The taxable value can be reduced by –

- i. The employee making a payment to the University from their net salary. However, any contribution by an employee will be subject to GST, and/or
- ii. The employee completing an [FBT Expense Payment Declaration](#) indicating that proportion of the expense would have been deductible under income tax law (applying the “Otherwise Deductible Rule”).

##### **c. Otherwise Deductible Rule**

The otherwise deductible rule permits the value of a fringe benefit to be reduced by the amount of the income tax deduction that the employee would “otherwise” have been entitled to if the expense had not been paid/reimbursed by the employer. As a general rule, expenses incurred in the course of University business will normally be allowed under the otherwise deductible rule.

Example 1 –

The University pays/reimburses an employee's professional association fees. If the employee would have been entitled to an income tax deduction of 100% then the taxable value of that benefit is reduced 100% to nil. Therefore no FBT is payable. An FBT declaration shall be required.

Example 2 –

An employee uses their own private mobile phone to make business calls and seeks reimbursement for those calls (and not personal calls). The employee would have been entitled to a 100% income tax deduction. The employee must complete an expense payment declaration and declare that 100% of the payment made by the University was business related. There is no FBT payable.

Example 3 –

An employee is undertaking studies and the Unit or School has agreed to pay all or part of the course fees in accordance with the [Professional Development Policy](#). The employee must complete an expense declaration and declare that proportion of the payment made by the University that he/she would have been entitled to as an income tax deduction. **Note that HECS/HELP is not tax deductible as it is strictly non-deductible under income tax law. Consequently any payments/reimbursements in respect of a HECS/HELP liability shall be subject to FBT.**

## 5. LIVING AWAY FROM HOME BENEFITS

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The University, may from time to time, pay a new or continuing employee a living away from home allowance (LAFHA). A LAFHA is paid to an employee to compensate for additional personal (non-deductible) expenses and other disadvantages of having to live away from their usual place of residence in order to perform employment duties. Generally, the staff member will be maintaining two residences. However, it is important to distinguish a LAFHA from other payments simply made in respect of travel to ensure that the employee is in fact living away from home and not merely travelling on University business.

Generally, the amount of the allowance that is subject to FBT (the taxable value) is the amount of the allowance less that part of the allowance that represents reasonable costs for temporary accommodation and that part that is for increased food costs. In order to apply these concessions, the University will require an FBT LAFHA Declaration.

It should be noted that the University shall only provide this benefit in strictly limited circumstances.

### **Key differences between current and previous law**

Changes were made to the FBT law in relation to the concessional tax treatment of LAFH allowances and benefits **as at** 1 October 2012.

Current law	Previous law
<p>Access to the tax concessions for living-away-from-home allowances and benefits is limited to a period of 12 months for an employee (other than employees working on a fly-in fly-out or drive-in drive-out basis) at a particular work location, and to cases where the employee:</p> <ul style="list-style-type: none"> <li>• <b>maintains a home in Australia</b> at which they usually reside and is available for their immediate use and enjoyment during that period that their duties of employment require them to live away from home and</li> <li>• <b>can substantiate all expenses incurred on accommodation and</b></li> <li>• can substantiate all expenses incurred on food or drink (if the food or drink expenses incurred are more than the Commissioner of Taxation’s reasonable amounts) and</li> <li>• <b>provides you with a declaration about living away from home and, where required, a declaration on substantiation.</b></li> </ul>	<p>No 12-month limitation applies.</p> <p>No requirement to maintain a home in Australia before the LAFH tax concession can apply.</p> <p>No requirement to be able to substantiate expenses before the LAFH tax concessions can apply.</p> <p>Only needed to make a declaration about living away from home</p>
<p>You can reduce the taxable value of LAFH allowances provided to these employees by:</p> <ul style="list-style-type: none"> <li>• the amount of employee’s actual substantiated accommodation expenditure while living away from home, and</li> <li>• the amounts incurred by the employee for food or drink costs while living away from home less (minus) a statutory amount if applicable.</li> </ul>	<p>The taxable value could be reduced by the exempt accommodation and exempt food components</p>



**Does the current law or the previous law apply?**

If...	Then...
<ul style="list-style-type: none"> <li>The LAFHA is paid because the employee is living away from home from 1 October 2012 onwards</li> </ul>	<ul style="list-style-type: none"> <li>The current law applies (subject to transitional rules).</li> </ul>
<ul style="list-style-type: none"> <li>The LAFHA is paid because the employee was living away from home before 1 October 2012</li> </ul>	<ul style="list-style-type: none"> <li>The previous law applies.</li> </ul>

**6. RELOCATION EXPENSES**

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The University may provide, to new employees, financial assistance for relocation. Such assistance shall be an exempt fringe benefit where it is provided in accordance with the [Reallocation Assistance Upon Appointment Policy](#).

**7. LOAN FRINGE BENEFITS**

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Generally, the University shall not provide this benefit to employees. However, in April 2008, the ATO released determination TD 2008/10 which states that where an employer overpays an employee, a loan fringe benefit will be provided where the employer allows an employee time to repay the overpayment. The determination states that by allowing time for the repayment the employer is making a 'loan'.

The relevant statutory interest rate is applied to the amount of the overpayment to determine the taxable value of the benefit. The statutory interest rate is set by the ATO.

**8. EXEMPT BENEFITS**

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The provisions of the following benefits are examples exempt fringe benefits –

- Long service awards not exceeding \$1,000 for at least 15 years' service;
- Mobile phones, PDA's and laptop computers where the item is to be used predominantly in university business;
- Tools of trade;
- Protective clothing;

- Childcare provided on University premises;
- Newspapers, periodicals etc. used in University business.
- University gym

## 9. REPORTABLE FRINGE BENEFITS

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Where the total of fringe benefits provided to an employee exceeds \$2,000, the University is required to report the “grossed-up” value of all benefits on the employee’s payment summary. **The exception is meal entertainment fringe benefits, car parking fringe benefits, pooled or shared cars which are not reportable fringe benefits.**

From 2015 FBT year, the value reported on the employee’s payment summary will be calculated as follows –

Total taxable value of all benefits \* type 2 gross-up factor (i.e. 1.8868).

Example 1 –

An employee has been provided with a car fringe benefit (such as example 1 under Car Fringe Benefits above). The taxable value of the benefit is \$2,660.

The reportable benefit that will appear on the employee’s payment summary is –

Taxable value of benefit \* 1.8868

$\$2,660 * 1.8868 = \$5,108.89$

While a reportable benefit is not subject to income tax, it is added to the employee’s taxable income for purposes such as family tax benefits, child care benefit, and Medicare levy surcharge. Note that this is not an exhaustive list and employees should seek their own tax advice.

## 10. REDUCING FBT EXPENSE

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The amount of FBT can be reduced by:

- replacing fringe benefits with cash salary or allowance
- providing benefits that employees would be entitled to claim as an income tax deduction if they had paid for the benefits themselves (the ‘otherwise deductible’ rule which reduces the taxable value to nil)
- providing benefits that are exempt from FBT, or
- using employee contributions. Generally, the contribution is a cash payment made by the employee to the employer towards the benefit. For example, the employer offers employees tickets to a sporting event for \$20 each that have a cost price of \$50. An employee can also make an employee contribution towards a car fringe benefit by paying for some of the operating costs (such as fuel) that are not reimbursed.

## 11. INTERACTION BETWEEN FBT AND OTHER TAXES (GST AND PAYROLL TAX)

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### a. Payroll tax

Payroll tax is applied to taxable wages of an employer. The relevant act is the Payroll Tax Act (NSW) 2007 and the tax is paid to the NSW Office of State Revenue. Taxable wages are defined in the act and include fringe benefits. The act requires that the type 2 gross-up rate (1.8868) is applied to the total value of fringe benefits provided to staff. That amount is included in the University's taxable wages for the purpose of payroll tax.

From 1 January 2011 the payroll tax rate is 5.45%.

### b. Goods and Services Tax

An employer is generally allowed to claim a GST credit (input tax credit) for any expenses incurred in providing a fringe benefit to an employee.

However, the GST Act sets out a number of exclusions where an employer is not entitled to a credit. The most significant of these exceptions is in respect of entertainment. Entertainment is generally non-deductible for income tax purposes. Therefore, to the extent that the provision of entertainment is not subject to FBT, an employer is not entitled a claim the GST credit in respect of that expense (*e.g.: the non-employee portion of the expense*).

## 12. OTHER HELPFUL LINKS

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<http://www.ato.gov.au/businesses/content.asp?doc=/Content/76140.htm>

[http://www.ato.gov.au/businesses/content.asp?doc=/content/fbt\\_guide.htm](http://www.ato.gov.au/businesses/content.asp?doc=/content/fbt_guide.htm)

[http://calculators.ato.gov.au/scripts/axos/axos.asp?CONTEXT=&KBS=FBT\\_car.xr4&go=ok](http://calculators.ato.gov.au/scripts/axos/axos.asp?CONTEXT=&KBS=FBT_car.xr4&go=ok)

<http://www.ato.gov.au/content/downloads/IND61118reportablefringe.pdf>

<http://www.ato.gov.au/Individuals/Working/In-detail/Reportable-fringe-benefits/Reportable-fringe-benefits---facts-for-employees/?page=10>