

# Fringe Benefit Tax Guideline

## Section 1 - Purpose

(1) This Guideline provides guidance to managers and staff on the processing and recording of Fringe Benefit Tax (FBT) transactions.

(2) It will assist staff in the administration of FBT liabilities for Macquarie University.

(3) It will provide staff with a better understanding of FBT in order for the University to comply with legislative obligations and better manage its FBT risk.

### Scope

(4) FBT applies to employees and their associates. For FBT purposes the definition of employee includes current, former and future employees. For FBT purposes the definition of associate includes people and entities closely associated with an employee e.g. relatives or closely connected companies.

## Section 2 - Policy

(5) Nil.

## Section 3 - Procedure

(6) Nil

## Section 4 - Guideline

### What is Fringe Benefit Tax (FBT)

(7) FBT is a tax paid on certain benefits an employer provides to their employees or the employee's associates (typically family members) in place of, or in addition to salary and wages in respect of their employment.

(8) A fringe benefit may be provided by an associate of the employer or under an arrangement between a third party and the employer.

(9) There must be a benefit to the employee and it must be in respect of their employment for FBT to apply e.g. where a benefit is provided to a past student who is also an employee, FBT would not apply as the employee has received the benefit as a past student, not in respect of their employment.

### When is the FBT Year

(10) The FBT Year is for the period 1 April to 31 March each year.

## Part A - Car Fringe Benefit

(11) A car fringe benefit arises when the University makes a vehicle available for the private use of an employee. This includes a car that is owned or leased.

### What Vehicles are Included

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

- a. sedans, station wagons, panel vans and utilities (excluding panel vans and utilities designed to carry a load of one (1) tonne or more);
- b. all other goods-carrying vehicles designed to carry less than one (1) tonne; and
- c. all other passenger-carrying vehicles designed to carry fewer than nine (9) occupants.

### Declarations

(13) When a car is made available to an employee for their private use, the employee will be required to provide odometer readings for the vehicle. An odometer reading should be provided at the time the car is first made available, at the end of each FBT year and at the end of the lease, on disposal or when the vehicle is no longer available to them for private use. Odometer readings may also be requested at other times. The employee should provide these readings when requested by the Tax and Insurance Officer.

(14) Employees should also record and maintain supporting documentation of any periods the car is unavailable for their private use and any contributions they have made in maintaining the vehicle. These should be provided to the Tax and Insurance Officer.

### What is Considered Available for Private Use

(15) A car is available for use by an employee on any day that it is actually used for private purposes by the employee or associate or the car is available for the private use of the employee or associate.

(16) A car is treated as being available for private use by an employee on any day that the car is not at the University's premises or the employee is allowed to use it for private purposes or the car is garaged at the employee's home.

(17) A car that is garaged at an employee's home is treated as being available for the private use of the employee regardless of whether they have permission to use it for private purposes.

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

### When is a Car Not Available for Private Use

(19) Where a car is in a workshop for extensive repairs eg following an accident it is not available for private use, however a car is considered to be available for private use where it is in the workshop for routine servicing or maintenance. Documentary evidence must be provided to support the period the car was unavailable.

(20) If an employee will be away for an extensive period and the car is returned to the University premises and custody and control of the car is removed from the employee, the car can be considered as unavailable for the private use of the employee. A car parked at the employee's home while away is still considered to be available for private use.

## Part B - Entertainment

### What does Entertainment Include

(21) The University may provide food and / or drink to their employees, ranging from morning teas to a Christmas party. For each situation it needs to be determined if a fringe benefit has been provided.

(22) Recreational entertainment may also be provided to employees. You first need to consider whether or not the benefit is entertainment.

(23) The provision of entertainment means the provision of:

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

(24) To determine when food and drink provided to a person results in entertainment, you need to examine all the circumstances surrounding the provision of the food or drink, including:

- a. why is the food or drink being provided? Is it refreshments or for a social function;
- b. what type of food or drink is being provided? Is it morning tea and light meals or is it more elaborate;
- c. when is the food or drink being provided? Is it during work, overtime, when travelling or to entertain; and
- d. where is the food or drink being provided? Is it on University premises or at a restaurant, function room, café etc..

### Entertainment

(25) The following would generally be considered to be entertainment and subject to FBT:

- a. social functions;
- b. Christmas parties;
- c. business lunches;
- d. farewell function;
- e. reward and recognition function;
- f. anniversary dinners;
- g. sporting club memberships;
- h. fundraising functions;
- i. recreation;
- j. Melbourne Cup function; and
- k. Family Fun Day.

### Employee's Contribution

(26) An employee's contribution does not reduce the employer's FBT liability i.e. if the employer pays for entertainment and an employee subsequently reimburses the employer this does not negate the FBT liability. It is necessary that employees pay their contribution directly as the University cannot reduce the liability by a later collection of money.

### Non-Entertainment

(27) The following would generally not be considered to be entertainment where in respect of the employee:

- a. morning and afternoon tea, light meals for employees. This is to enable the employee to complete the working day in comfort. This includes tea, coffee, fruit drinks, cakes and biscuits, but does not include alcohol. Light meals include sandwiches and other hand food, salads, juices and light take away food ordered in while working on a project. If provided to associates of employees it is considered to be a property fringe benefit. Where alcohol is provided it is considered to have a social context and therefore entertainment.
- b. seminars including light breakfast prior to seminar, meal or refreshments during a training session, conference, convention, lecture, meeting, question and answer session or planning day to discuss policy issues. Food and drink if reasonably incidental to attending a seminar that goes for at least 4 hours. Seminar does not include where main purpose is to promote or advertise the business.
- c. travelling on business, food and drink provided where employee is undertaking work-related travel. If accompanied by a spouse then FBT would apply to the spouse meal and any non travelling employees who dine with the travelling employee.

## **Recreational Entertainment**

(28) Recreation includes amusement, sport and similar leisure-time pursuits and includes recreation and amusement in vehicles, vessels or aircraft (e.g. joyflights, sightseeing tours, harbour cruises, golf days, football tickets, movie tickets).

## **Minor Entertainment Benefits for Tax-Exempt body**

(29) As the University is a tax-exempt body (i.e. it does not pay income tax), the minor benefits exemption relating to entertainment will only be available as follows:

- a. the provision of entertainment is incidental to the provision of entertainment to outsiders and does not constitute a meal other than light refreshments, or
- b. a function is held on University premises solely as a means of recognising the special achievements of an employee in a matter relating to the employment of the employee. Where the benefit is provided in these circumstances, the minor benefits exemption only applies to the employee in question and his or her associates. Exempt benefits under this minor benefits exemption will include graduation, orientation and similar ceremonies.

(30) To qualify for the minor benefits exemption the entertainment must have a GST inclusive value of less than \$300 per employee (including the benefits to employee's associates) and be provided to the employee on an infrequent and irregular basis. Consideration also needs to be made if it is unreasonable to treat the minor benefit as a fringe benefit. Factors to consider include how often similar benefits are provided, the value, associated benefits, difficulty in determining a value and the circumstances under which it was provided.

## **Part C - Expense, Property or Residual Benefits**

(31) Where the University reimburses or pays a third party for an expense incurred by an employee an expense benefit payment may arise. A residual benefit includes a benefit provided to an employee which does not specifically fit any of the other categories of fringe benefit. Some benefits are exempted from FBT.

### **Which Expense, Property or Residual Benefits are Taxable**

(32) As a general rule expenses which are of a private nature will be subject to FBT. The following provides some examples but is not an exhaustive list:

- a. gifts and awards - flowers, gifts, gift vouchers and awards provided to employees will be subject to FBT. Examples would include retirement gifts, farewell gifts, the birth of a child awards.

- b. child care other than on University premises, where the University reimburses or makes a payment for child care services other than those on its premises, these benefits will be subject to FBT;
- c. health Insurance - the reimbursement or payment of employee or associates health insurance premium will be subject to FBT;
- d. HELP - the reimbursement or payment of employee HELP is subject to FBT;
- e. private Clubs membership - membership fees to private clubs or associations will be subject to fringe benefits tax e.g. golf clubs;
- f. spouse travel - travel costs for an employee's associates, other than travel relating to relocation, will be subject to FBT;
- g. leisure and business travel - adding leisure travel to a business trip. All leisure travel costs are to be borne by the employee / student personally and not by the University. For the University paid airfare, it is necessary to determine whether the private leisure travel purpose is merely incidental to the business purpose. Factors which may assist in determining whether the private purpose is merely incidental to the business purpose include the time spent away, the presence of accompanying persons and whether there is travel to other destinations. Generally, where the holiday period is greater than the work period, the Australian Tax Office (ATO) considers that this is an indication that the holiday purpose is more than incidental to the work purpose and FBT is applicable. If the University pays the airfare this will be a taxable fringe benefit - any employee contribution will reduce the value of this benefit. The ATO's position on apportionment is that a reasonable and fair basis must be used. A 50:50 apportionment would be appropriate unless there are other factors indicating a fairer method of apportionment.
- h. a travel diary must be completed for international travel of any duration or domestic travel of more than five (5) nights duration.

## **Part D - Which Benefits can be Exempted from FBT**

(33) Car parking - car parking fringe benefits and car parking expense payments are exempted for the University. This applies both to the use of a car parking space and the reimbursement of car parking expenses.

(34) Child care - where childcare is provided on University premises for the benefit of employees, the benefit is an exempt benefit.

(35) Home Phones and Home Internet charges - Home phones and home internet charges paid or reimbursed by the University will be subject to FBT. However, if all or part of the benefit is work related the employee can complete the otherwise deductible declaration, showing the business use percentage. FBT would be payable on the remaining private portion, but may be exempted as a minor benefit if it meets the criterion for a minor benefit exemption.

(36) Long Service Awards - long service awards granted in recognition of 15 years or more service are exempt if within a specified maximum amount. The specified maximum value is \$1,000 for 15 years service plus \$100 for each additional year e.g. the maximum value for a first award recognizing 20 years service is \$1,500. If the employee has received a previous long service award the exemption for the second award is limited to the amount in recognition of the additional award i.e. one award at 15 years and another at 20 years, the 20 year award is limited to \$500. Where the value of the award exceeds the relevant maximum value, no part of the award is exempt.

(37) Membership Fees - Fringe benefits are exempt if they are a professional membership fee, subscription to a trade or professional journal or an entitlement to use an airport lounge membership. The membership or subscription must be for the employee in respect of the employee's employment i.e. it could not be for an employee's associate.

## **Part E - Minor Benefit Exemption**

(38) There is no minor benefit exemption in respect of entertainment.

(39) A minor benefit is a benefit which has a GST inclusive taxable value of less than \$300. Certain factors, including any similar or associated benefits must be considered when applying the minor benefit exemption.

(40) The five criteria to consider when deciding if it would be unreasonable to treat the minor benefit as a fringe benefit are:

- a. the infrequency and irregularity with which associated benefits i.e. those identical or similar or in connection with the minor benefit. The more frequent and regular the less likely it can be a minor benefit.
- b. the amount of the taxable values of the minor benefit and similar and identical benefits. The greater the total value of the minor benefit and identical or similar benefits the less likely it will be a minor benefit.
- c. the likely total of the taxable value of other associated benefits i.e. those provided in connection with the minor benefit e.g. where meal, nights accommodation and taxi travel are provided in connection with one event, the total values must be considered. The greater the total value of other associated benefits the less likely it can be a minor benefit.
- d. the practical difficulty in determining what would be the taxable value of the minor benefit and any associated benefits. This would include consideration of the difficulty in keeping the necessary records in relation to the benefits; and
- e. the circumstances in which the minor benefit and any associated benefits were provided. Was it the result of an unexpected event? Was it a reward for service?

(41) The ATO has provided guidance in TR2207/12 to assist organisations to determine when a benefit is an exempt minor benefit.

### **Example 1**

(42) An employer provides each of its employees with a modest gift at Christmas time. The range of gifts provided by the employer includes a bottle of whisky, perfume or store voucher. It is the employer's policy to provide gifts to employees on only a few special occasions throughout the year. The gifts provided are always less than \$300. The value of the gift to an employee is below the minor benefits threshold limit and it is necessary to consider the above criteria to determine if it would be unreasonable to treat the minor benefit as a fringe benefit.

(43) The Christmas gifts are provided infrequently but on a regular basis (being every Christmas). However the sum of the value of all gifts, where they are identical or similar benefits, in this year and all other years is not considered to be substantial and there are no other associated benefits provided in connection with the gift. There would be no difficulties in determining the value of the benefit and the benefit was not provided to assist the employee deal with an unexpected event. On the facts it is not principally a reward for service.

(44) On balance it would be concluded that it would be unreasonable to treat the benefit as a fringe benefit. Accordingly it is an exempt benefit.

### **Example 2**

(45) An employer, who is a tax-exempt body, provides a Christmas party for employees and their partners. The cost to the employer is less than \$300 for each person attending. At the party, each employee and their partner is provided with a gift. The gift to the employee is a hamper of food. Each partner attending is also provided with a bottle of wine. The hamper of food and bottle of wine are not regarded as being the provision of entertainment (they are to be consumed at a later time) and each is valued as less than \$300. The Christmas party would be considered to be the provision of entertainment and therefore taxable. This would be the case regardless of whether the party was held on the business premise or off the business premise.

(46) The employee and the partner do not receive gifts from the employer on a frequent and regular basis. Even though the employee and the partner are provided with a gift and also attend the Christmas party the gifts need to be

considered separately when applying the minor benefits threshold. In considering whether the gift is a minor benefit the value of the benefit to the employee and the value of the benefit to the partner are each below the minor benefits threshold. It is necessary to consider the criteria listed above to determine if it would be unreasonable to treat each of the minor benefits provided as fringe benefits.

(47) The gifts have been provided infrequently but regularly. However the sum of the value of gifts provided to the employee and the sum of the value of gifts provided to the partner in this year and all other years where there are identical or similar benefits is not considered to be substantial. The gifts are provided in connection with the Christmas party. However the total value of the minor benefit and associated benefit in this year and all other years is not considered substantial. There would be no difficulty in determining the value of the benefit and the benefit was not provided to assist the employee or the partner deal with an unexpected event. On the facts the gifts are not principally a reward for services. On balance it would be concluded that it would be unreasonable to treat the benefit provided to the employee and the partner in the form of gifts as fringe benefits. Accordingly the gifts are both exempt benefits.

### **Example 3**

(48) An employer has a policy of providing flowers to its employees on special occasions, such as the birth of a child, family funeral or a get-well gift. The flowers are always valued at less than \$300. An employee is provided with flowers as a get-well gift while the employee is in hospital. The value of the benefit is less than \$300 and therefore it is necessary to consider the criteria listed above to determine if it would be unreasonable to treat the minor benefit as a fringe benefit.

(49) Flowers given to employees on special occasions would be considered to be provided on a regular and infrequent basis. There are no other associated benefits provided with the flowers and it is rare for the employee to receive flowers on more than a couple of occasions in any year. There would be no difficulty in determining the value of the benefit and the benefit was not provided to assist the employee with an unexpected event. On the facts, it is not wholly or principally a reward for services.

(50) On balance it would be concluded that it would be unreasonable to treat the benefit as a fringe benefit. Accordingly the benefit provided to the employee is an exempt benefit.

### **Example 4**

(51) An employer recognises the effort of an employee who has worked diligently over a period of time and who has met a particularly tight work project deadline. The benefit provided as a result of this recognition is not part of any formal staff incentive scheme. The employer provides the employee with a store voucher with a value less than \$300. The employee has also been recognised on another occasion in the current year and a previous year and was provided with similar store vouchers each with a value less than \$300. The value of the store voucher is below the minor benefits threshold and therefore it is necessary to consider the criteria listed above to determine if it would be reasonable to treat the minor benefit as a fringe benefit.

(52) Due to the ad-hoc nature of the recognition by the employer, vouchers which are identical or similar are not reasonably expected to be provided to that employee on a regular and frequent basis. The sum of the values of the minor benefit and any associated benefits in this year and other years would not be substantial. There would be no difficulties in determining the value of the benefit, the benefit is not provided to assist with an unexpected event and the benefit is provided principally as a reward for services rendered.

(53) On balance it would be concluded that it would be unreasonable to treat the benefit as a fringe benefit. Accordingly the benefit provided to the employee is an exempt benefit.

## Part F - Staff Recognition

(54) Many supervisors provide their staff with a small gift as recognition of achievement during the course of a year. Supervisors need to be aware that where this gift is in the form of entertainment that it will be subject to fringe benefits tax regardless of value. The University has made available access to the Red Balloon program for these rewards. The majority of the items available through the Red Balloon program are in the nature of entertainment and are therefore taxable.

(55) Where gifts are provided and that GST inclusive amount of that benefit and any associated benefits is greater than \$300 that gift will be taxable.

(56) Where gifts are less than \$300 and are not in the nature of entertainment consideration needs to be given to the frequency and regularity of the gift. If it is frequent and regular it will be taxable. As a general rule an ad hoc gift to staff will not be considered regular and frequent unless all staff in a defined section of the University are provided with a gift each year.

(57) It is important to note that benefits under \$300 are taxable unless it would be unreasonable to treat it as a fringe benefit for reasons outlined in the previous section.

## Part G - Safety Awards

(58) An award genuinely related to occupational health and safety achievements that is granted to an employee is exempt from tax if its value does not exceed \$200. Where the University grants more than one award to an employee during the FBT year each award will be exempt provided the aggregate value of the awards does not exceed \$200. Where the \$200 limit is exceeded no part of the award is exempt unless the minor benefit exemption can be applied.

## Part H - Taxi Travel

(59) Taxi travel is exempt from FBT in the following circumstances:

- a. a single trip that begins or ends at the University; and
- b. taxi trips resulting from the employee being sick or injured where the journey (or part of the journey) is between the University and the employee's place of residence or any other place it is necessary to attend as a result of the sickness or injury e.g. hospital, medical centre, doctor's surgery.

(60) Taxi travel in connection with or to facilitate entertainment is taxable e.g. taxi trip home after a social function.

## Part I - Work Related Items

(61) An FBT exemption applies for the following work related items:

- a. portable electronic device, i.e. easily portable and designed for use away from the office, is small and light, can operate without an external power supply and is designed as a complete unit e.g. mobile phone, calculator, iPad, laptop computer, GPS;
- b. an item of computer software;
- c. an item of protective clothing;
- d. briefcase; and
- e. tools of trade.

(62) The exemption is limited to:



- a. items primarily for use in the employee's employment; and
- b. one item per FBT year for items that have a substantially identical function, unless it is a replacement item.

## Part J - Mobile Phones and Other Portable Devices

(63) At the time a mobile phone is provided it should be established the mobile phone is primarily for work use, for the exemption to apply. The cost of calls, rental charges and accessories can also be exempted provided the ongoing actual "work use" test is satisfied at the time these are paid or reimbursed. Any personal use should be limited to incidental use only. Factors such as listing of mobile number in internal staff directory, on business cards and emails would aid in demonstrating the mobile is primarily for use in the employee's employment.

(64) The exemption for other portable devices is similarly only available where it can be demonstrated that they are primarily for use in the employee's employment.

## Part K - Relocation

(65) Where an employee moves from one locality to another in the course of employment or in order to commence employment a number of relocation costs may be paid or reimbursed. Whether an FBT exemption or reduction is available in relation to these relocation costs is explained below.

- a. Where the University pays for the removal and storage of household effects of employees (both new and existing) that have to live away from home because of a change in their job location, the benefit is exempt. The exemption includes the cost of removal, storage, packing, unpacking and insurance of household effects for the personal use of the employee or their family.
- b. Temporary Accommodation - Where the University pays or reimburses temporary accommodation the employee must start to make sustained and reasonable efforts to buy or lease suitable long-term accommodation as soon as reasonably practicable. The concession is limited to an occupancy period that begins seven (7) days before the day the employee starts work at the new location and ends when the employee could reasonably be expected to occupy the home after purchasing or leasing. The exemption is limited to a maximum period of four (4) months.
- c. Visa - the reimbursement or payment of the costs associated with a visa that is required for the employee to relocate to Australia to take up a position can be exempted from FBT as incidental to the transport cost. This includes the cost of a permanent residency visa and costs of an immigration agent. Where the visa is not so connected, FBT will be payable. For FBT purposes, there is no distinction between temporary and permanent visas. In both cases the test is whether the cost is in connection with relocation.

## Part L - Otherwise Deductible Rule

(66) The otherwise deductible rule reduces the taxable value of a fringe benefit by the amount the employee would have been entitled to claim an income tax deduction if they had incurred the expense e.g. the University pays a professional membership fee for an employee. As this membership fee would have been deductible in the employee's own personal income tax return if the employee had paid the fee, the taxable value of the fringe benefit is reduced to nil.

## Part M - FBT Rates

(67) FBT is calculated on the grossed up Taxable value of a fringe benefit. The rate of FBT is currently 47%.

Type 1	2.0802 (used where there is an entitlement to a GST credit).
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Type 2	1.8868 (used where there is no entitlement to a GST credit).
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## Part N - Reportable Fringe Benefit

(68) The ATO requires employers to record the taxable value of fringe benefits provided to staff.

(69) Where the total taxable value of an employee's fringe benefits exceeds \$2,000 in an FBT year, the University is required to report an amount on the University's Payment Summary.

(70) Income Tax is not payable by employees on fringe benefits.

## Part O - Information to Assist when Coding Accounts Payable Invoices

(71) A detailed [Meal Entertainment Help Sheet](#) can assist to determine if FBT applies and which expense / GST code to use.

## Part P - General Ledger Expenditure Codes

Expense code 4200 is for Entertaining	Non FBT
Expense code 4201 is for Entertaining	FBT
Expense code 4202 is for Entertaining	Non Tax Deductible

## Section 5 - Definitions

(72) Commonly defined terms are located in the University [Glossary](#). The following definitions apply for the purpose of this Guideline:

- a. Expense payment fringe benefit: An expense payment fringe benefit arises in either of two ways:
  - i. if the University reimburses an employee for private expenses they incur; or
  - ii. if the University pays a third party in satisfaction of private expenses incurred by an employee.
- b. Property fringe benefits: A property fringe benefit arises if the University provides an employee with free or discounted property.

For fringe benefits tax purposes, property includes:

- i. goods (including gas, electricity, telephone); and
  - ii. real property such as accommodation.
- c. Car fringe benefit: A car fringe benefit arises if the University provides a car which is available for private use of an employee.
  - d. Tax-exempt body entertainment fringe benefit: The University is a tax-exempt body. A tax-exempt body entertainment fringe benefit arises from entertainment expenses incurred by an employer who:
    - i. is wholly or partially exempt from income tax; or
    - ii. does not derive assessable income from the activities to which the entertainment relates.
  - e. Input Tax Credit: The general scheme of the GST legislation is that the University accounts for GST on the

supplies it makes, but gets a credit for the GST component of supplies made by others to the University. This credit is called an input tax credit, because it is a credit for tax paid on the University business inputs.

## Status and Details

<b>Status</b>	Historic
<b>Effective Date</b>	22nd February 2021
<b>Review Date</b>	1st April 2021
<b>Approval Authority</b>	Vice-President, Finance and Resources
<b>Approval Date</b>	7th August 2014
<b>Expiry Date</b>	2nd February 2022
<b>Responsible Executive</b>	Robin Payne Vice-President, Finance and Resources
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