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22nd March 2018

POSSIBLE FRINGE BENEFITS TAX (FBT) LIABILITY TO PAY AND LODGE FOR FBT YEAR 1st APRIL 2017 – 31st MARCH 2018

As in previous years, we have informed you of your potential obligations under the Fringe Benefits Tax system.

It is highly likely that you have provided fringe benefits to yourself, your employees or associates of the business throughout the FBT year, and therefore we recommend that you read through the information provided in this letter to ensure that you meet your compliance obligations.

The Australian Taxation Office has notified tax agents that they plan to increase their Audit activity significantly in the FBT area, as this area is complex and frequently overlooked by many taxpayers.

WHAT IS FBT?

Fringe Benefits Tax addresses items of expenditure in your business which may have a private element or are part of salary packaging agreement for employees, including company directors and associates.

FBT CAN AFFECT GST AND YOUR BAS

FBT can affect GST and your Business Activity Statement. This means that the calculation of private use should not be left until the year end tax return is prepared.

The only way to properly plan is to calculate fringe benefits now and lodge an FBT return. This doesn't necessarily mean that you will pay FBT. We can discuss other strategies with you.

ACTION IS REQUIRED

Fringe Benefits Tax is a complex area of tax law. **You may not think you are providing fringe benefits to yourself or employees but still be caught in the FBT net.** We have provided a brief non-exhaustive summary of the broad areas of specified "benefits".

If you are at all unsure of whether you are subject to FBT or what you need to do, please call for advice. If you have received this letter, there is a high probability that you would have FBT obligations under the legislation.

Due to increased audit activity by the ATO in the FBT area, it is our recommendation for all organisations to lodge a FBT return even where the taxable value of the fringe benefits have been reduced to NIL. The primary reason for this recommendation is to ensure that the ATO only has the relevant audit review period (usually 3 years from assessment by the ATO) to levy any FBT liability, rather than an unlimited period where no FBT return is lodged.

When reviewing this summary, remember:-

- The FBT year is 1 April 2017 to 31 March 2018;
- **"Employee"** may include directors/business owners, associates of employees and directors, even if no salary is paid;
- FBT also applies if a benefit, e.g. a car, is used by a relative;
- Benefits provided by third parties under arrangement with the employer may be caught, eg. sporting tickets provided by a supplier to employees.

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Types of Benefits provided by employers subject to FBT

1. Cars – by far the most common FBT issue

Motor vehicles which your business owns or pays some or all of the running costs.

2. Entertainment and Recreation Expenses

Entertainment includes meals as well as other forms of entertainment, e.g. corporate boxes, tickets to sporting or other events. Meals associated with the following are **not** subject to FBT:-

- 100% business travel
- Seminars / training
- Light working lunches in-house

3. Other benefits subject to FBT:-

- Car Parking
- Loans to employees or associates (loan agreements may also be necessary)
- Provision of Housing
- Living away from home allowance
- Debt waivers
- Board
- Airline
- Property (eg. provision of a personal computer for home)
- Residual
- Expense Payments
- Personal expenses paid from loyalty programs accruing points on business expenditures (for example, Qantas Frequent Flyer Program)

Please consider the above carefully and contact us for assistance. We can provide specific schedules for recording the information required.

Where fringe benefits have been provided and we can identify these before the end of the FBT year, we may be able to employ a strategy which will save fringe benefits tax and ensure you meet your obligations.

There is a very short lodgement period for FBT returns, so please give this matter your **URGENT** attention.

Should you have any further queries, please do not hesitate to contact **Isabel Li, Karin Foo, Jeremy Harris, or Philip Newell of this office.**

Yours faithfully



Philip Newell CA

**Chartered Accountant B Commerce/B Arts
Partner**

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