

client alert

fbt return action checklist

March 2010

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 applies: 2.0647. If no, the Type 2 gross-up rate applies: 1.8692.</i>		
Are fringe benefits that are reportable on employees' PAYG payment summaries grossed-up using the Type 2 gross-up rate? <i>Reportable fringe benefits are grossed-up using the Type 2 rate, regardless of the gross-up rate used in calculating the FBT payable on a benefit.</i>		

Checklist — Types of Benefits

Type of fringe benefit	Yes	No
Car fringe benefit		
Was a vehicle made available to an employee (or the employee's 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 may arise.</i>		
Was the vehicle designed to carry less than one tonne or fewer than nine passengers? <i>If yes, a car fringe benefit may arise. If no, the fringe benefit may be a residual benefit.</i>		
Was the vehicle provided a taxi, panel van, utility truck or a non-passenger road vehicle designed to carry a load of less than one tonne? <i>If yes, an exemption from FBT applies, provided the only private use of the vehicle was for work-related travel and other private use by the employee (or the employee's associate) was minor, infrequent and irregular.</i>		
Did the employee contribute to the running costs of the vehicle? <i>The value of the benefit is reduced by the employee's contribution if 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 must 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>		

Type of fringe benefit	Yes	No
Statutory formula method		
What were the opening and closing odometer readings for the vehicle? <i>The statutory percentage to be used is determined by the total kilometres travelled during the FBT year: see FBT Rates and Thresholds, page 4.</i>		
Were any non-business accessories (eg window tinting and rust-proofing) fitted to the vehicle during the FBT year? <i>If yes, the base value of the car is increased by the (GST-inclusive) cost price of the accessories.</i>		
How long has the vehicle been owned? <i>If owned for more than four years on 1 April 2009, the cost base of the vehicle is reduced by one-third. However, this reduction does not apply to non-business accessories fitted after the acquisition of the vehicle.</i>		
Were there any days during the FBT year when the vehicle was unavailable for private use? <i>The taxable value of the car benefit is reduced by the number of days during the FBT year in which the vehicle was not used or available for private use by the employee (or the employee's associate).</i>		
Was the vehicle acquired during the FBT year? <i>The number of kilometres travelled for the part of the year when the vehicle was acquired must be annualised.</i>		
Operating costs method		
Was the vehicle acquired during the FBT year? <i>If yes, has a log book been kept for a minimum continuous period of 12 weeks?</i>		
What were the opening and closing odometer readings for the vehicle? <i>The readings must be recorded to enable total kilometres travelled for the year to be calculated.</i>		
Have you made a reasonable estimate of the business kilometres travelled and the business use percentage? <i>This must be in writing, which is normally evident by the maintaining of a log book.</i>		
Was the vehicle replaced during the FBT year? <i>If the vehicle was replaced, the previously established business percentage may be transferred to the replacement vehicle, provided the percentage had not changed.</i>		
What is the written down value of the vehicle as at 1 April 2009? <i>The deemed depreciation and deemed interest is calculated based on the written down value of the vehicle as at 1 April 2009.</i>		
Have you determined the total operating costs of the vehicle for the FBT year? <i>Deemed depreciation and deemed interest must also be included in the operating costs of the vehicle.</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 one km of the premises where the car is parked and the operator of the parking station charges more than \$7.25 for all-day parking. <i>A car parking benefit potentially arises if the answer is yes.</i>		
Does your business meet the requirements to be classified as a small business entity (SBE) for income tax purposes? <i>An exemption from car parking fringe benefits arises if your business is an SBE.</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>If no election is made, the actual usage records method must be used.</i>		

Type of fringe benefit	Yes	No
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 based on actual expenditure incurred.</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 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 (5.85%)? <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 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 therefore would be entitled to a deduction (in their personal tax return) in respect of the interest incurred? <i>The taxable value of the benefit is reduced by the amount by which the employee would be entitled to a deduction, provided a declaration has been given setting out particulars to the use of 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>		
Was the employee entitled to a deduction (in their personal 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 in-house property fringe benefit and 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 provided exclusively in the course of the employee's employment, a declaration is not required.</i>		

Type of fringe benefit	Yes	No
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 if the employee would have obtained a deduction in her or his tax return. This further reduction applies to both the in-house property fringe benefit and the external property fringe benefit.</i>		
Work-related items (provided after 13 May 2008)		
Did you provide an employee with any of the following work-related items on or after 7.30pm (AEST) on 13 May 2008: <ul style="list-style-type: none"> • a portable electronic device (eg a laptop and a GPS navigation device); • an item of computer software; • an item of protective clothing; • a briefcase; or • a tool of trade? <i>If yes, an exemption from FBT may be available.</i>		
Were the items provided primarily for use in the employee's employment? <i>If yes, an exemption from FBT applies.</i>		
Did you provide the employee more than one of each of the above listed items, unless the item is a replacement item? <i>If yes and the addition item is not a replacement item, the addition item will not be exempted from FBT.</i>		
Minor, infrequent and irregular benefits		
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.</i>		

FBT Rates and Thresholds

	FBT year ending 31 March 2010	FBT year ending 31 March 2009
FBT tax rate	46.5%	46.5%
Type 1 gross-up rate (ie entitled to a GST credit for the provision of a benefit)	2.0647	2.0647
Type 2 gross-up rate (ie not entitled to a GST credit for the provision of a benefit)	1.8692	1.8692
Reportable fringe benefits threshold (ie a total gross-up value exceeding \$3,738) ²	\$2,000 ¹	\$2,000 ¹

	FBT year ending 31 March 2010	FBT year ending 31 March 2009
Car parking threshold	\$7.25	\$7.07
Statutory car rates (statutory formula method) 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 the benefit is a residual benefit):		
Engine capacity	Rate per kilometre	Rate per kilometre
0 – 2,500cc	44 cents	42 cents
Over 2,500cc	53 cents	51 cents
Motor cycles	13 cents	13 cents
Deemed depreciation rate (operating cost method) for car fringe benefits:		
Date of car purchase	Depreciation rate	Depreciation rate
On or after 10 May 2006	25%	25%
From 1 July 2002 to 9 May 2006	18.75%	18.75%
Up to and including 30 June 2002	22.5%	22.5%
Benchmark interest rate ³	5.85%	9.00%
Minor and infrequent benefits threshold ⁴	\$300	\$300
Record keeping exemption threshold	\$7,063	\$6,766

- (1) Threshold based on the total taxable value of fringe benefits provided to an employee.
- (2) The actual reportable fringe benefits amount shown on a PAYG summary is always grossed-up using the Type 2 gross-up rate.
- (3) The benchmark interest rate is used to calculate the taxable value of a loan benefit and the deemed interest of a car fringe benefit where an employer chooses to use the operating cost method.
- (4) Threshold is based on the taxable value of a benefit and applies to each benefit provided during the FBT year.