



Australian Government
Australian Taxation Office

Welcome to Let's Talk FBT with the ATO

17 August 2023

Welcome

Acknowledgment of country

"I would like to respectfully acknowledge the traditional owners and custodians of the land on which we meet throughout Australia and the continuing connection to land, waters, and community. I would also like to pay my respects to them and their cultures, and elders past, present and emerging."



Topics

1. The basics
2. Changing environment
3. Role of the ATO
4. Common mistakes employers make
5. Questions you asked us



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02

The Basics

- Employer obligation
- What's a fringe benefit
- The four FBT pillars

FBT Pillars



Four steps to getting fringe benefits tax (FBT) right

Identify



- Types of benefits provided

Determine



- Taxable value for each benefit provided

Lodge



- FBT return
- Report employee's reportable fringe benefits amount
- Report any employee contributions

Keep records



- Demonstrate how you made calculations
- Meet the record keeping requirements

02

Changing environment

FBT and our changing environment

- Tight labour market
- Difficulty attracting and retaining staff
- Offering 'perks' on top of salary and wages in the form of benefits
- Offering fringe benefits for the first time



03

Role of the ATO

The role of the ATO

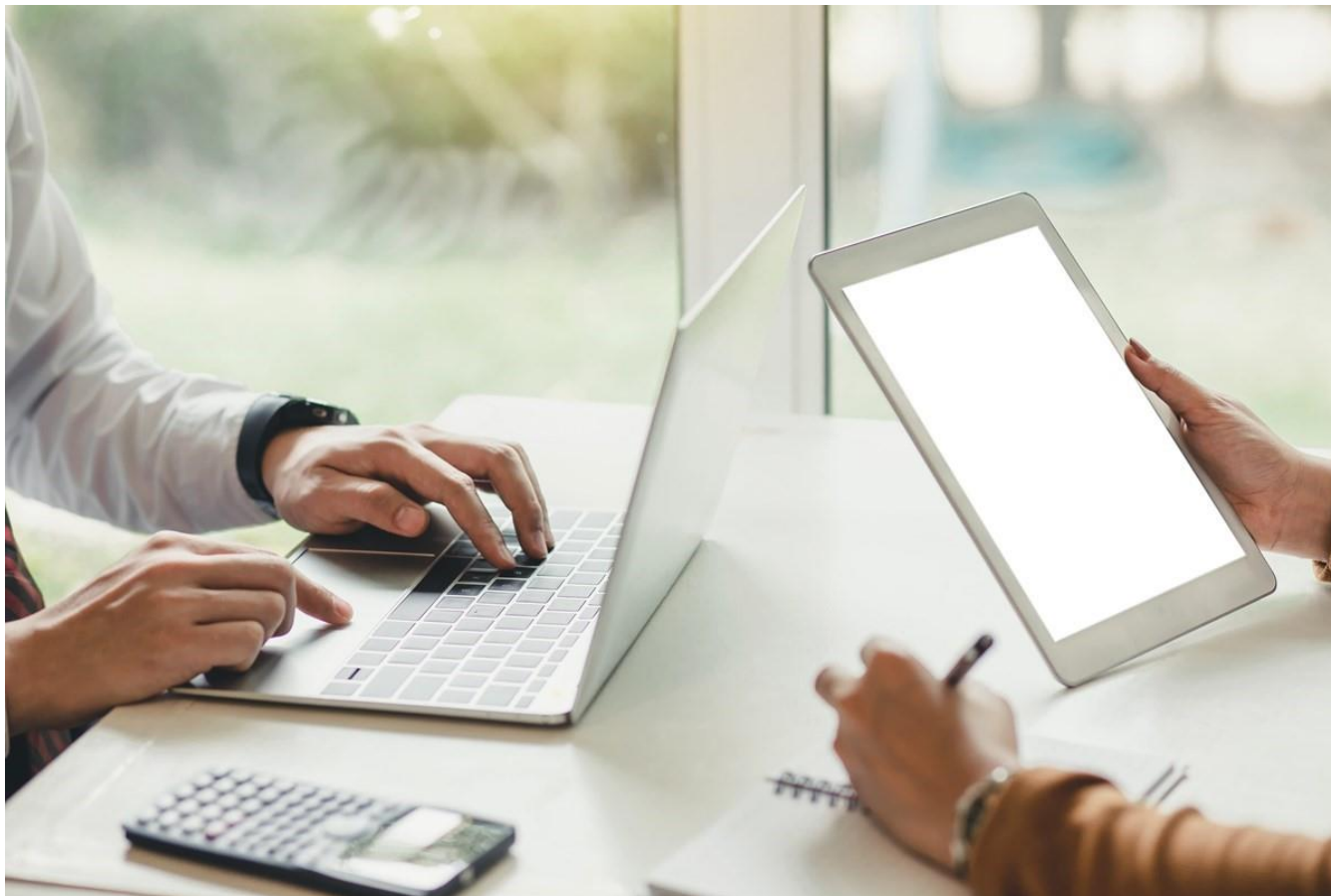
FBT legislation



- **Administer the existing law**
- **Work with Treasury**
- **Work with Government**

The role of the ATO

Administer the existing law



Help employers

- ato.gov.au/fbt
- Fact sheets
- The fringe benefits tax – a guide for employers
- Webinars and atotv
- Quarterly FBT Bulletin
- Ad campaign
- Busting myths

Compliance:

- We use third party information and data matching to target FBT non-compliance

04

Common mistakes employers make

1. General issues
2. Passenger cars
3. Utes and other non-passenger vehicles



General Issues

- **Employee Contributions**
- **Consolidating FBT Returns**
- **Reportable Fringe Benefit Amount**

Common mistakes employers make – General issues

Employee contributions

- Post-tax payment by the employee
- Usually cash payment, but can be journal entry
- If paid direct to employer (i.e. not a third-party) needs to be included in their assessable income



Common mistakes employers make – General issues

Consolidating FBT returns

Part of a corporate group?

- Each employer must lodge their own FBT return

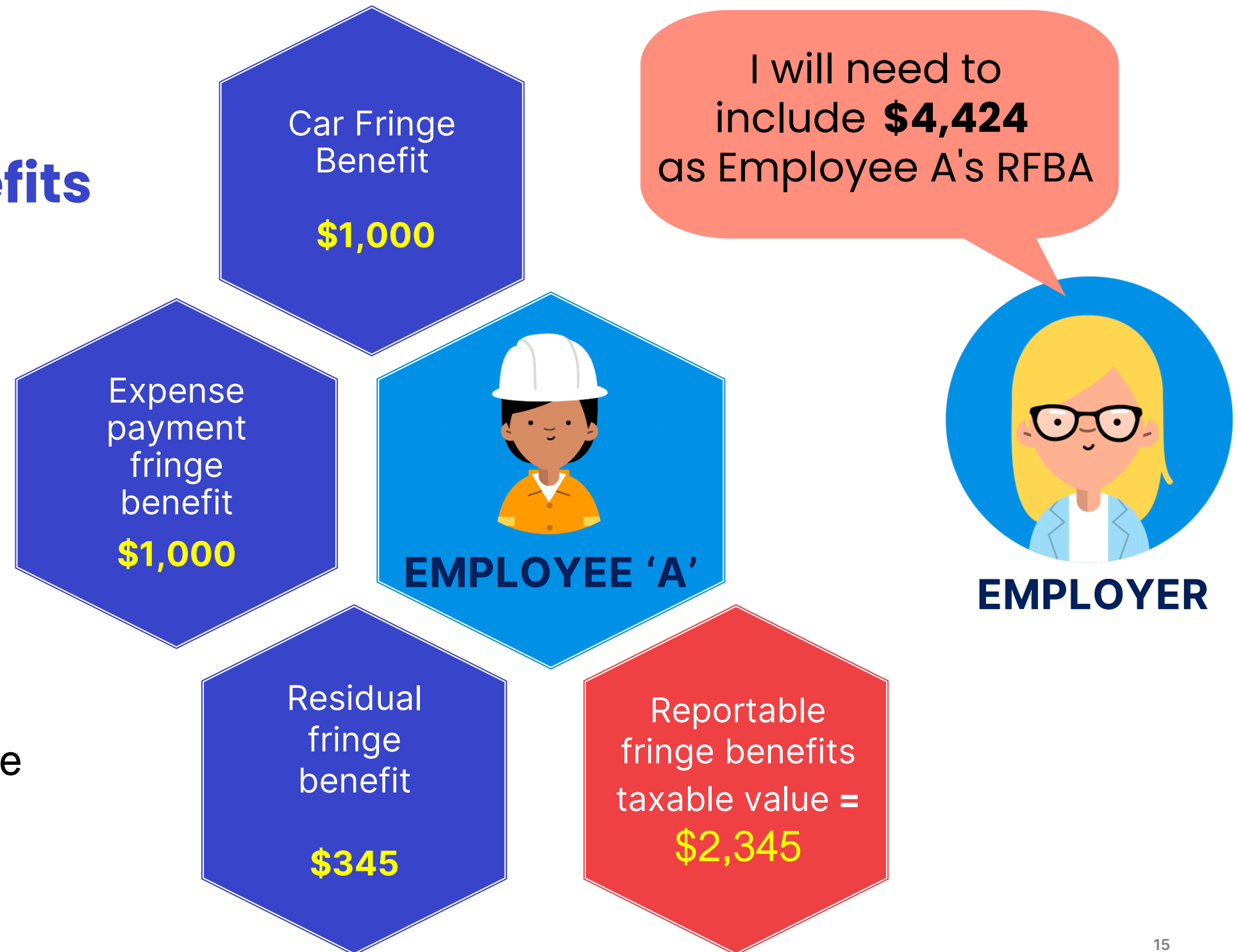


Common mistakes employers make – General issues

Reportable fringe benefits amounts

- If the **total value** of reportable fringe benefits you provide to an employee is more than **\$2,000**, you must report the grossed-up amount through Single Touch Payroll or on the employee's payment summary.

This is known as the reportable fringe benefits amount, or RFBA.



Common mistakes employers make – General issues

EXAMPLE

Employee contributions – journal entries



Facts

- Transport delivery company
- 16 employees
- Motor vehicles, including trucks, vans and 4 passenger cars
- Expenses and depreciation claimed for all
- Available for the private use

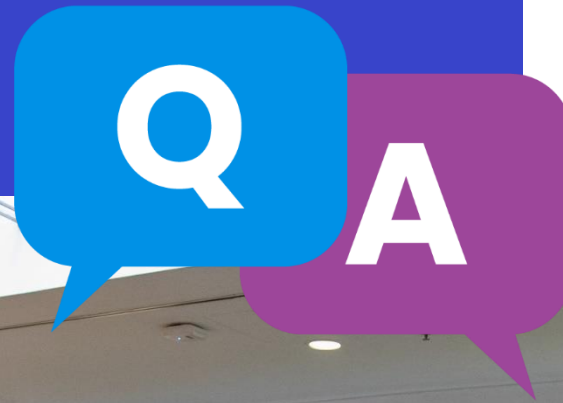
Issues

- FBT return lodged after an ATO audit commenced
- Included 4 car fringe benefits
- Employee contributions, reducing the taxable value to nil
- No employee contributions reported
- Agent advised that journal entries, against the director loan account, and income tax return amendment required.

Decision

- Employee contributions disallowed.
- They were not included in the company tax returns prior to the audit or reported in the company financial reports obtained during the audit

Questions



Passenger cars

1. Private use
2. Log books
3. Base value of the car

Common mistakes employers make – Passenger cars



Private use

- Many employers do not categorise private travel correctly.
- FBT applies if there is private use of your car by your employee or their associate.
- The most common mistake that employers make when considering what is private use, is home to work travel.

Common mistakes employers make – Passenger cars

Log books

- Keep a log book for a **12-week** continuous period to demonstrate the **business and private travel** so you can correctly calculate your FBT.

Common mistakes we see include:

- The logbook being completed after the fact.
- The logbook not detailing full or adequate details of the journey.
- The logbook not being a representative sample of the actual travel.

Mileage Log

Year:

Make:

Model:

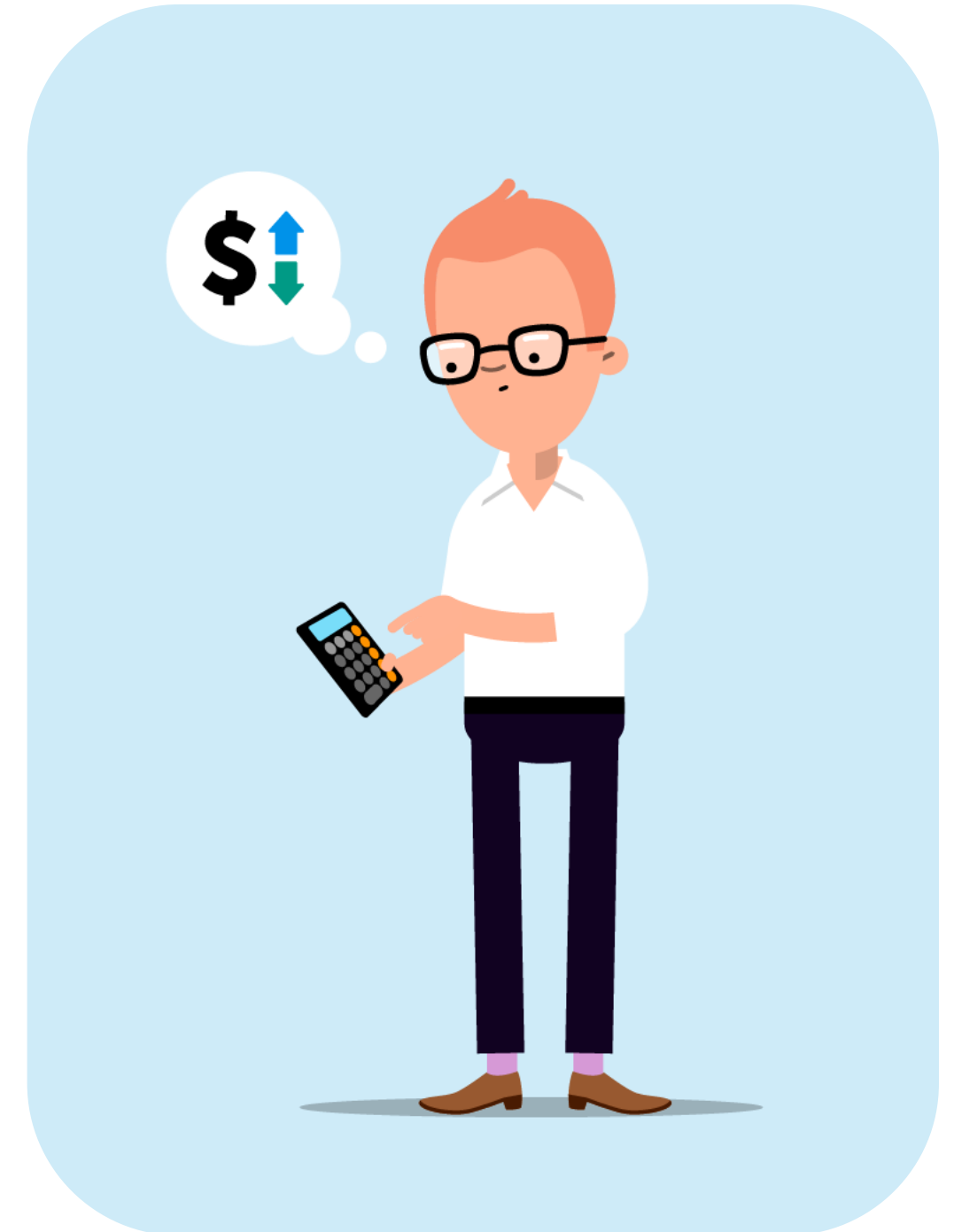
Date	Journey	Odometer			Cost				Notes
		Start	End	Total	Fuel	Parking	Tolls	Other	

Vehicle
Log Book

Common mistakes employers make – Passenger cars

Base value of the car

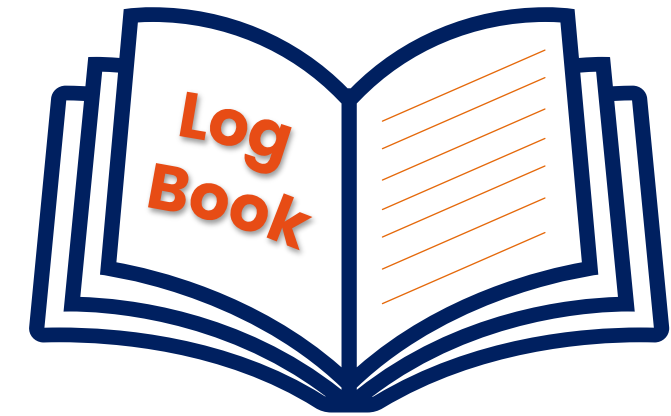
- A common mistake we see is, employers using the depreciation car limit as the base value of the car.
- This is incorrect.
- The base value of the car is the cost price paid for the car:
 - excluding registration and stamp duty
 - after any trade-in or cash payment by the employee
 - plus the cost of any fitted non-business accessories, dealer delivery charges, and any GST and luxury car tax



Common mistakes employers make – Passenger cars

EXAMPLE

Log books and private use



Facts

- Employer, a dental practice owned luxury cars
- Cars used by the Dentists, who were also the Directors
- Claimed motor vehicle expenses
- Hadn't lodged FBT returns or reported employee contributions

Issues

- Kept log books claiming 94-100% business use
- The Dentists brought work home, and categorised this home to work travel as business travel
- The log books did not reconcile

Decision

- Log books invalid
- FBT returns required to account for the car fringe benefits, using the statutory formula method

Questions



Utes & other non passenger vehicles

1. **Myths and Facts**
2. **Limited private use**
3. **Summary**

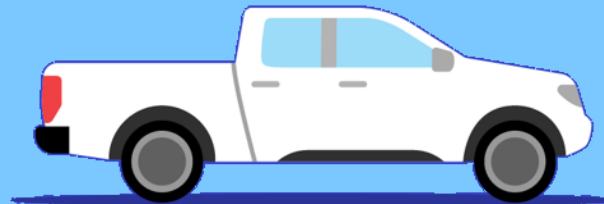
Common mistakes employers make – Utes and other non-passenger vehicles

Myths and Facts

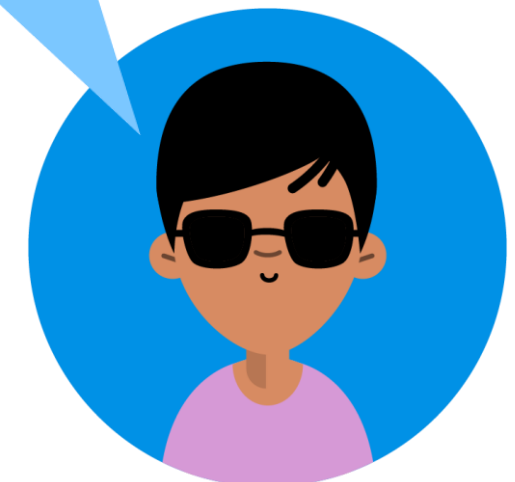
Myth = utes and other non-passenger vehicles, are automatically exempt from FBT

Fact = while there is an exemption for certain eligible vehicles, this applies only if private use is limited.

My dual cab is an eligible vehicle ...



Does it matter what I use it for?



Common mistakes employers make – Utes and other non-passenger vehicles

A cartoon illustration of a construction worker with a beard, wearing a white hard hat, a yellow high-visibility vest over a light blue shirt, and yellow work boots. He is holding a wrench in his right hand.

**What counts
as limited
private use?**

Limited private use

- Travel between home and work
- Travel that is incidental in the course of employment duties and
- Non-work-related travel that is minor, infrequent and irregular.

Driving the vehicle to every weekend footy match, towing the boat to go fishing every Sunday or going on regular camping trips will generally take an employee beyond the definition of limited private use.

Common mistakes employers make – Utes and other non-passenger vehicles



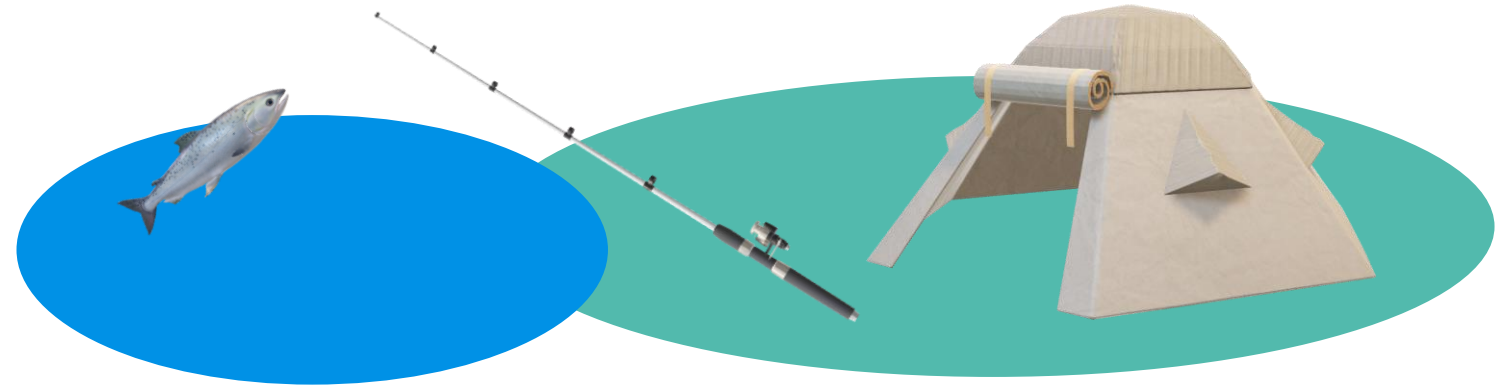
Summary

- In short, the FBT exemption applies only to vehicles that are predominantly used for work purposes.
- If an employee's use of the vehicle does not meet the conditions of limited private use, it is a car fringe benefit or residual fringe benefit and FBT applies.

Common mistakes employers make – General issues

EXAMPLE

Exempt Vehicle



Facts

- Employer conducting 4WD accessory business
- Owned multiple dual cab utes
- Claimed motor vehicle expenses
- No FBT returns lodged or employee contributions reported

Issues

- Employer claim - Travel between work and home only
- What we found - Used for camping trips and other activities

Decision

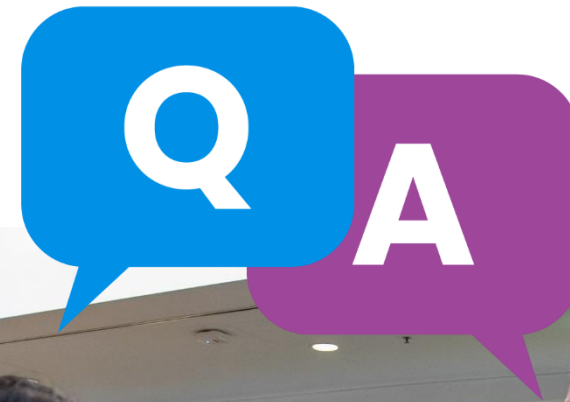
- The private travel was not limited
- Not an exempt benefit
- A car fringe benefit was provided

Questions



Registration & Lodgment

ato.gov.au/FBTregistration



Final questions



Key take aways

1. Four pillars of FBT
2. Check in with your employer clients
3. Don't consolidate FBT returns
4. Role of the ATO
5. Understand and stay on top of their FBT obligations

ato.gov.au/fbt

ato.gov.au/webinars