

## ADELAIDE UNIVERSITY

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| <b>Section:</b>        | <b>Taxation</b>                               | <b>Procedure No:</b>   | <b>FBT-01</b>               |
| <b>Title:</b>          | <b>Fringe Benefits Tax</b><br>An Introduction | <b>Related Form/s:</b> |                             |
| <b>Effective Date:</b> | <b>01.04.2001</b>                             | <b>Approved By:</b>    | <b>David Carver</b>         |
|                        |   | <b>Title:</b>          | <b>Financial Controller</b> |
|                        |   | <b>Page No:</b>        | <b>1 of 2</b>               |

### 1. What is a fringe benefit?

Any payment/ benefit received by an employee from an employer (either directly or indirectly), in place of salary or wage payments, are deemed to be fringe benefits.

### 2. What is Fringe Benefits Tax?

Fringe Benefits Tax (FBT) is a tax imposed on employers and administered by the Australian Taxation Office. It is levied on the fringe benefits the employee receives as part of their course of employment. It extends to include benefits received by associates.

### 3. Who pays FBT?

FBT is payable by the employer. Under the income tax laws, a fringe benefit is not taxable income to the employee.

However, if an employee receives fringe benefits with a total taxable value of more than \$1,000 for a FBT year, the grossed up value of the benefits are reported on the employee's group certificate or payment summary. This value is taken into account for income tests relating to a number of government benefits and obligations.

### 4. Benefits that are subject to FBT

Not all fringe benefits received are subject to FBT. The type of benefits that are subject to FBT, are as follows:

- (i) Car Fringe Benefits (*generally arise where a car held by an employer is made available to an employee or associate for private purposes*);
- (ii) Loan Fringe Benefits (*arises from the provision of a loan to an employee where low or no interest is charged on a loan*);
- (iii) Debt Waiver Fringe Benefits (*arises where an employer releases an employee from an obligation to pay an amount owing to the employer*);
- (iv) Expense Payment Fringe Benefits (*arises where an employer either reimburses an employee for expenses incurred by the employee or pays another person for an expense incurred by the employee*);
- (v) Housing Fringe Benefits;
- (vi) Living away from home allowance fringe benefits;
- (vii) Board Fringe Benefits (*arises where an employer provides a board meal to an employee*);
- (viii) Entertainment Fringe Benefits (Refer FBT Policy 2);
- (ix) Car Parking Fringe Benefits (*in some circumstances*);
- (x) Property Fringe Benefits (*arises where an employee is provided with property, ie-goods, by the employer or associate at a free or discounted rate*); and

- (xi) Residual Fringe Benefits (*is effectively a catch all category which seeks to tax fringe benefits provided to employees which do not come within any other category detailed previously*).

## **5. What benefits are excluded from FBT?**

Among the most important benefits excluded are:

- (i) salary or wages;
- (ii) employer contributions to a complying superannuation fund;
- (iii) relocation benefits;
- (iv) car parking (*in some circumstances*);
- (v) airport lounge membership;
- (vi) car and mobile phones (*provided private use is minor or incidental to business use*); and
- (vii) laptop computers.

## **6. FBT Year**

The FBT year runs from 1 April to the following 31 March.

## **7. FBT Rate**

The current rate as of 1 April 2006 is 46.5%. The rate of 46.5% is levied on what is commonly referred to as the 'grossed-up amount'. There are two gross-up factors as a result of the introduction of GST.

### ***“Old” gross-up factor***

The old gross-up is calculated using the following formulae:

$$\frac{\text{Total taxable value}}{(1 - \text{FBT rate})} \text{ Eg. } \$1,100 \text{ taxable value} = \frac{\$1,100}{(1-0.465)} = \text{grossed-up value of } \$2,136$$

The gross-up factor is therefore 1.8692 and now applies to GST-free or input taxed items being provided as fringe benefits.

### ***“New” gross-up factor***

Since 1 July 2000, a new FBT gross-up formula has applied as a result of the introduction of GST. This gross-up factor is currently 2.0647 and is to be used where an employer is entitled to an input tax credit for any GST payable on a fringe benefit.

## **9. General Ledger Account Codes**

When coding FBT applicable expenditure, the following account codes are to be used:

- (i) Meal Entertainment 2786
- (ii) Non-Meal Entertainment 2788
- (iii) Academic Package Benefits 2321
- (iv) Non-Academic Package Benefits 2351

**9. Contact Information**

For further information, please contact the Manager, Tax & Assets on (08) 8303 5872.