Supplement

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Fringe Benefits Tax Year Ended 31 March 2019

Now is an opportune time to prepare for the end of the Fringe Benefits Tax (FBT) year on 31 March. Ensuring that all documentation is in place throughout the year ending will assist with orderly FBT compliance and present opportunities to implement changes to reduce your future FBT liabilities.

Checklist Are you liable for FBT?

The below will help you establish if you are providing a fringe benefit to your employees. If the answer is yes to any of the following, you may well have an exposure to FBT.

- Do you make cars or other vehicles owned by the business available to employees for private use including a car garaged at the employee's home?
- Do you provide loans at reduced interest rates to employees?
- Have you released an employee from an owed debt?
- Have you paid for, or reimbursed, an expense incurred by an employee?
- Do you provide a house or accommodation to your employees?
- Do you provide employees with living-away-from-home allowances?
- Do you provide entertainment by way of food, drink or recreation to your employees?
- Are you a tax-exempt organisation that has provided food, drink or accommodation to employees?
- Have you provided property, either free or at a discount, to employees?
- Do any of your employees have a salary packaging arrangement in place?
- Have you provided your employees with goods at a lower price than they are normally sold to the public?

Summary of recent changes

Changes to FBT in the last two years that affect many businesses have included:

- Living-Away-From-Home Allowance and Benefits (LAFHA). The LAFHA concession has been restricted to 12 months for permanent residents and generally removed all access to the concession for temporary and foreign residents. You need to take considerable care when paying LAFHA.

  The FBT exemption only applies to employees who owned or leased a home in Australia personally or whose spouse did throughout the assignment period during which the employee was required to live away from home. The use of that residence must have continued to be available to them during the period of their assignment.

- Motor Vehicles: The transition of the 20% statutory rate for calculating the taxable value applying to new car contracts from 10 May 1011 was completed in the FBT year ended 31 March 2014. See the thresholds below for 2018-2019 figures.

  The below figures give historical context for those preparing FBT returns for past years.

Compliance

The FBT year runs from 1 April to 31 March of the following year. Annual FBT returns are lodged with the ATO, usually by 28 May when lodged through a tax agent. For new FBT taxpayers, your first FBT return will be due by 28 May 2019.

Additionally, employers are required to register for Fringe Benefits Tax prior to lodgement of the FBT return.

Following lodgement of the first FBT return, you will be required to report and pay FBT instalments 4 times per year via an activity summary where the FBT liability per annum exceeds $3,000. This reporting is included on the Activity Statement used for reporting employee salaries and their tax withholdings. Reporting and payment is required by due dates to avoid the imposition of penalties for late lodgement.

Changes in Detail

Living Away from Home Allowance (LAFHA)

LAFHA provides an exemption from FBT on the costs of accommodation and food expense incurred by employees while they are required by their employers to work away from home.

As of 1 October 2012, the exemption has been restricted to employees living away from their Australian home for up to one year, which they maintain available for their immediate use and enjoyment for the duration of their absence, and to which they intend to return as their normal residence. The requirement that the employee's usual Australian place of residence be maintained will preclude the majority of temporary and foreign residents from LAFHA exemptions.

In addition, the taxable value of food and drink costs was reduced by a 'reasonable amount' without substantiation of the actual costs being required. 'Reasonable amount' has now been defined to be the actual cost of the expenses, necessitating the retention of substantial documentation by employees and companies, increasing compliance costs.

As FBT is an expensive tax, the addition of FBT on housing costs is expected to be a substantial burden for employers.

Example

The Australian Resident

To retain eligibility to LAFHA, an employee must lease or own their normal Australian residence, must maintain its availability for their own use during their absence, and expect to return to it at the end of the period working away. This exception runs for a period of up to 12 months for a particular work location.

One change to the previous law is that the 'reasonable' amount of the LAFHA allowance will be equal to the actual costs incurred, as evidenced by evidence of the costs, or a declaration received from the employee for which the employee retains documentary evidence for five years after the relevant FBT return is lodged with the Australian Taxation Office.

Amounts that will not be exempt from FBT despite working away from Australian residence include:

- Any food allowances paid for periods covering a return to the usual Australian residence (such as going home on a weekend); and
- Amounts that exceed the actual costs incurred and substantiated.

Please note that food allowances are subject to a small statutory food amount which will be taxable, unless the allowance is only for expenses above a minimum threshold (currently $42 per week for one adult).

In order to reduce tax risk to the employer and to reduce compliance costs, it is recommended that employers have internal processes to incur the actual costs, such as:

- Reimbursement of costs based receipts from the employee
- Direct payment of costs on behalf of the employee
- Petty cash float, where employees are provided a sum but must account for expenditure
- If an allowance is paid, define the food component and the statutory amount for which the employee remains responsible.

The changes require substantially more record keeping and exact accounting for costs, increasing compliance costs.

In-house benefits and salary sacrifice – important change

Formerly the taxable value of in-house fringe benefits is currently by reference to a concessional valuation, such as 75 per cent of the lowest price paid by other customers. In addition, a $1,000 reduction in the taxable value of in-house benefits received by an employee is applied.

However, note that concessional treatment are not available for in-house benefits provided under salary packaging arrangements made on or after 22.10.2012, and from 1.04.2014 for in-house benefits provided under salary packaging arrangements made before that time.

Fringe Benefits Tax – Rates and Thresholds

Note, the acronym "TD" used throughout refers to "Taxation Determinations" available on the ATO legal database.

As you prepare your 2019 FBT returns, below are the relevant rates and thresholds.

The FBT year runs from **1 April to 31 March**.

Certain rates and thresholds are referenced from the relevant taxation determination.

Fringe Benefits Tax Rates

The FBT rate changes for the year ending 31 March 2015 onwards.

FBT year	FBT rate
Ending 31 March 2014 (and prior years)	46.5%
Ending 31 March 2015	47%
Ending 31 March 2016 and 31 March 2017	49%
Ending 31 March 2018 onwards	47%

Pay by Instalments Threshold

If a taxpayer's FBT liability last year was $3,000 or more, they will need to pay four quarterly instalments.

Gross-up rates for Fringe Benefits Tax

Type 1: higher gross-up rate

This rate is used where the benefit provider is **entitled to a goods and services tax (GST) credit** in respect of the provisions of a benefit.

Because the FBT rate has changed for the year ending 31 March 2015 onwards, the Type 1 gross-up rate has also changed.

FBT Year	FBT Rate	Type 1 gross-up rate
Ending 31 March 2014 (and prior years)	46.5%	2.0647
Ending 31 March 2015	47%	2.0802
Ending 31 March 2016 and 31 March 2017	49%	2.1463
Ending 31 March 2018 onwards	47%	2.0802

Type 2: lower gross-up rate

This rate is used if the benefit provider is not entitled to claim GST credits.

Because the FBT rate has changed for the year ending 31 March 2015 onwards, the Type 2 gross-up rate has also changed.

FBT Year	FBT Rate	Type 2 gross-up rate
Ending 31 March 2014 (and prior years)	46.5%	1.8692
Ending 31 March 2015	47%	1.8868
Ending 31 March 2016 and 31 March 2017	49%	1.9608
Ending 31 March 2018 onwards	47%	1.8868

Regardless of whether the benefits provided are type 1 or type 2, only the lower gross-up rate is used for reporting on employees' payment summaries.

Car fringe benefits statutory formula rates

Determining the statutory percentage

A flat statutory rate of 20% applies, regardless of the distance travelled, to all car fringe benefits you provide from 1 April 2014 (except where there is a pre-existing commitment in place before 7.30pm AEST on 10 May 2011 to provide a car)

The statutory percentages for car fringe benefits where you have a pre-existing commitment in place prior to 7.30pm AEST on 10 May 2011 to provide the car after this time, are as follows:

Pre-existing commitments

Total kms travelled in FBT year	Statutory %
0 – 14,999	26
15,000 – 24,999	20
25,000 – 40,000	11
Over 40,000	7

You can continue to use these statutory rates for all pre-existing commitments unless there is a change to that commitment.

Transitional arrangements and rates

The move to one statutory rate of 20% was phased in over four years. There will be transitional arrangements that apply to any new commitments entered into from 10 May 2011 to 31 March 2014. Where there is a change to a pre-existing commitment these transitional arrangements will also apply. The following statutory rates should be used.

Total kms travelled in FBT year	Statutory %			
	From 10 May 2011	From 1 April 2012	From 1 April 2013	From 1 April 2014
0 – 14,999	20	20	20	20
15,000 – 25,000	20	20	20	20
25,000 – 40,0000	14	17	20	20
Over 40,000	10	13	17	20

Motor vehicle (other than a car) cents per kilometer rate

FBT year ending	0-2500cc	Over 2500cc	Motor cycles
31 March 2019	54c	65c	16c
31 March 2018	53c	63c	16c
31 March 2017	52c	63c	16c
31 March 2016	51c	61c	15c
31 March 2015	50c	60c	15c

- 2018 reference: TD 2018/4
- 2018 reference: TD 2017/4
- 2017 reference: TD 2016/3
- 2016 reference: TD 2015/6
- 2015 reference: TD 2014/6

Car parking threshold

FBT year ending:

- 31 March 2019 $8.83 (reference TD 2018/7)
- 31 March 2018 $8.66 (reference TD 2017/14)
- 31 March 2017 $8.48 (reference TD 2016/7)
- 31 March 2016 $8.37 (reference TD 2015/11)
- 31 March 2015: $8.26 (reference TD 2014/11)
- 31 March 2014: $8.03 (reference TD 2013/9)

Statutory/benchmark interest rate

FBT year ending:

- 31 March 2019: 5.20% (reference TD 2018/2)
- 31 March 2018: 5.25% (reference TD 2017/3)
- 31 March 2017: 5.65% (reference TD 2016/5)
- 31 March 2016: 5.65% (reference TD 2015/8)
- 31 March 2015: 5.95% (reference TD 2014/5)
- 31 March 2014: 6.45% (reference TD 2013/8)

Record keeping exemption threshold

FBT year ending:

- 31 March 2019: $8,552 (reference TD 2018/5)
- 31 March 2018: $8,393(reference TD 2017/2)
- 31 March 2017: $8,286 (reference TD 2016/2)
- 31 March 2016: $8,164 (reference TD 2015/5)
- 31 March 2015: $7,965 (reference TD 2014/4)
- 31 March 2014: $7,779 (reference TD 2013/6)

Housing indexation figures

FBT year ending	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
31 March 2019	1.024	1.018	0.999	1.004	0.924	1.040	0.932	1.016
31 March 2018	1.024	1.014	0.005	1.001	0.942	1.025	0.933	0.996
31 March 2017	1.025	1.022	1.013	1.016	0.988	1.010	0.997	0.978

- 2019 (reference TD 2018/1)
- 2018 (reference TD 2017/6)
- 2017 (reference TD 2016/1)

Deemed depreciation rate - cars

These diminishing value depreciation rates are used for car fringe benefits valued under the operating cost method.

Date car purchased	Depreciation rate
Up to and including 30 June 2002	22.5%
From 1 July 2002 to 9 May 2006	18.75%
On or after 10 May 2006	25%

Reportable Fringe Benefits

If you provide certain fringe benefits with a total taxable value of more than $2,000 in the FBT year, you must report the grossed-up taxable value of the fringe benefits on the employee's payment summary for the corresponding income year.

Reportable fringe benefits are grossed-up using the lower gross-up rate, so if an employee receives certain fringe benefits with a total taxable value of $2,000.01 for the FBT year ending 31 March 2019, the reportable fringe benefits amount is $3,773.

Threshold for reporting on payment summaries	FBT year ending 31 March 2019	FBT year ending 31 March 2018
Taxable value	Exceeds $2,000	Exceeds $2,000
Grossed-up value	$3,733	$3,773

Capping of concessional FBT treatment for certain employers

The capping thresholds for the FBT exemption and FBT rebate concessions will change for the FBT year ending 31 March 2016 onwards.

Employer	**FBT concession for the year ending 31 March 2015 (and prior years)**	**FBT concession for the year ending 31 March 2016 and 31 March 2017**	**FBT concession for the year ending 31 March 2018 onwards**
Public benevolent institution (other than public hospitals) and health promotion charities	FBT exemption capped at $30,000	FBT exemption capped at $31,177	FBT exemption capped at $30,000
Public hospitals, non-profit hospitals and public ambulance services	FBT exemption capped at $17,000	FBT exemption capped at $17,667	FBT exemption capped at $17,000
Rebatable employers – certain registered charities, non-government and non-profit organisations	FBT rate of 48% capped at $30,000	FBT rate of 49% capped at $31,177	FBT rate of 47% capped at $30,000

Commissioner's reasonable food and drink amounts for employees living away from home – in Australia

The table below sets out the weekly amounts the Commissioner considers to be reasonable food and drink amounts for a LAFHA paid to employees living away from home within Australia. These amounts are for the **total** of food or drink expenses and include any amounts that may have been allowed for home consumption.

	FBT year ending 31 March 2019 per week	**FBT year ending 31 March 2018 per week**
One adult	$265	$247
Two adults	$391	$371
Three adults	$531	$495
One adult and one child	$332	$309
Two adults and one child	$465	$433
Two adults and two children	$532	$495
Two adults and three children	$599	$557
Three adults and one child	$598	$557
Three adults and two children	$665	$619
Four adults	$664	$619
Additional adults	$133	$124
Additional children	$67	$62

A person is considered an adult for this purpose if they were 12 years or older ***before*** the beginning of the FBT year.

- 2019 reference: TD 2018/3
- 2018 reference: TD 2017/5

Commissioner's reasonable food and drink amounts for employees living away from home – overseas

The tables below set out the weekly amounts the Commissioner considers to be reasonable food and drink amounts for a LAFHA paid to employees living away from home outside of Australia for the FBT year ending 31 March 2018 and 31 March 2019 as follows.

- Table 1 sets out the reasonable food and drink amounts for each cost group
- Table 2 sets out the factors to apply if the employee is accompanied by other family members while overseas.

You will need to obtain the cost group for the country from TD 2018/3 for the FBT year ended 31 March 2019 or TD 2017/5 for the FBT year ended 31 March 2018.

For the amounts that apply to each cost group see Table 1 below:

Cost Group	Food and drink for one adult FBT year ending 31 March 2019	Food and drink for one adult FBT year ending 31 March 2018
1	$137	$137
2	$201	$201
3	$273	$273
4	$310	$310
5	$437	$437
6	$537	$537

Table 2: Factors to apply for family groups - overseas

Where the employee is accompanied by other family members while overseas, the reasonable food and drink amount per week for the family is worked out by multiplying the amount shown in Table 1 by the relevant factor in Table 2 below

Family Group	Factor
Two adults	1.5
Three adults	2.0
One adult and one child	1.25
Two adults and one child	1.75
Two adults and two children	2
Two adults and three children	2.25
Three adults and one child	2.25
Three adults and two children	2.5
Four adults	2.5
Additional adults	50% of the relevant single adult rate in Table 1
Additional children	25% of the relevant single adult in Table 1

- 2019 reference: TD 2018/3
- 2018 reference: TD 2017/5