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March is the end of the FBT year so this edition of Newsflash is devoted to those FBT issues that effect small business. The first point that we can't stress strongly enough is **record the speedo reading on any vehicles owned by your business**, at the end of this month.

Please read on for more important information.

### Rates For This Year

Once you calculate the amount of the fringe benefit the employee has received you need to gross it up by multiplying it by 2.0802 if the benefit is subject to GST such as a car. If GST does not apply to the benefit, for example a low interest loan then the gross up rate is 1.8868. You then apply the FBT rate which is only 47% this year down, 2% on last year.

### Traps with the Panel Van and Ute Exemption

These are only going to be fully exempt from GST if the only non work related travel is between home and work or is incidental to work (getting lunch limit of 2 kms) or is infrequent and minor. This must total less than 750kms for the whole year and no more than 200kms in one trip. If you pick the kids up on the way home regularly or they catch you with a child seat in it, then the vehicle is not exempt from FBT.

Have you heard about the ATO auditor who sat in a beer garden, over-looking the main street, on a Saturday and recorded the number plates of all the utes driving by with groceries in the back?

If the Ute is a dual cab it will only qualify if it meets the design requirements of MT 2024. If the vehicle cost over the luxury car limit or it is provided as part of a salary package then it won't qualify.

If your employee is arms-length then you need to protect yourself. It is not enough to just tell your employees not to use the vehicle for private purposes. You have to be able to prove to an ATO auditor that they couldn't have because you have kept track of the speedo readings and the work related distances and they reconcile. Yep this is what they expect.

### Living Away From Home Allowances Are Not A Given

Living away from home allowances are a fringe benefit, never taxable in the employee's hand. You will have to pay FBT as if they earned that money and paid tax at the maximum tax rate unless the exemption applies.

The two major hurdles for the payments to be exempt from FBT is that the employee must not have lived in that location for more than 12 months. They only get 12 months per location not per assignment. They also need to give you a declaration that they still maintain a home elsewhere that they can return to at anytime.

The ATO is pushing back the responsibility onto the employer that the employee did actually incur the expenses the allowance was paid for. It is advisable to ask your employees to keep some receipts.

## Salary Sacrificing Superannuation

You might like to stop burdening yourself with this responsibility. From the 1<sup>st</sup> July, 2017 employees are allowed to make tax deductible superannuation contributions for themselves directly to the superannuation fund, they no longer need you to do it for them.

## Filling Out Your Employee's Reportable Fringe Benefit Amount

The figures you calculate now at 31<sup>st</sup> March are what appears in the reportable fringe benefits box on the PAYG summaries you prepare in July.

If the total reportable fringe benefits for your employee is under a taxable amount of \$2,000 which is \$3,773 grossed up, then you do not have to put anything in the box. You do not have to include any of the following in the reportable fringe benefits amount:

Meal Entertainment and Entertainment Facility Leasing expenses ie corporate boxes

Car Parking and Remote Area Benefits

Pooled or shared cars – you only have to let another employee use the car once to not have to report

Protecting the personal safety of employees

Emergency Overseas Health care and Overseas Living Allowances

Regardless of whether GST applies or not, to the benefit you are reporting in the box on the PAYG summary, the gross up rate for this purpose is only 1.8868

## Tips

If the car you are calculating FBT on has been held by the business or an associate for more than 4 years at the start of the FBT year then only 2/3rds of it's value is now subject to FBT

As long as electronic devices are used mainly for work purposes there is no FBT on their private use.

## Micro Businesses

If you operate your business as a trust or company you are probably an employee of that business, despite being "self-employed". You may at this point be wondering why you have not in the past had to address these issues even though your car is owned by the business.

FBT is an effective tax rate of the maximum tax bracket plus Medicare so in most cases it is better that you make an employee contribution from your after tax dollars to offset the FBT. There is a concession that allows your Accountant to calculate the amount of employee contribution required, when preparing the business tax return and it is all bought into effect by journal entry then. As there will be no FBT liability no FBT return needs to be prepared at the end of March.

**Best Askbantacs Question** – When your name is not on the car registration papers

<http://taxquestions.com.au/when-the-owner-of-a-car-is-not-on-the-registration-papers/>

## How To Get Your Questions Answered:

Visit an offices <http://www.bantacs.com.au/aboutus/locations/>

Skype Julia <http://www.bantacs.com.au/shop-2/consultation-with-julia-hartman/>

Askbantacs <http://www.bantacs.com.au/QandA/index.php>

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