

FRINGE BENEFITS TAX

WHAT YOU NEED TO KNOW ABOUT 2021 FRINGE BENEFITS TAX

1. SHOULD YOU BE REGISTERED FOR FBT?

Generally, if you have employees (including Directors) and you provide them with cars, car parking, entertainment (food and drink), employee discounts, loans, or reimburse private expenses, then you are likely to be providing a fringe benefit and we will need to register your business for FBT.

It's important you start gathering all the details of these provided benefits as soon as possible using our annual **FBT Questionnaire** and **Schedules**, so we can calculate any potential FBT liability and **lodge your FBT return on time – due 25 June 2021 with payment to be made by 25 June 2021.**

2. SHOULD YOU LODGE AN FBT RETURN EVEN IF NO FBT IS PAYABLE?

Where no FBT is payable there is legally no need to lodge an FBT return, but should you lodge one anyway?

Our strong recommendation to you is yes, you should lodge an FBT Return, even if no FBT is payable.

This restricts the ATO's audit window to only 3 years from the date of lodgement. Otherwise, the ATO is entitled to go back an unlimited number of years and audit your business and possibly find areas where they will charge you FBT and penalties.

We have compiled an FBT Factsheet that outlines some of the simple points that the ATO will review if you are selected for audit – **How the ATO identifies potential audits**. We have also prepared an FBT Factsheet that outlines why an FBT return is a good idea even where no FBT is payable – **Why should you lodge a return.**

3. KEY THINGS YOU MUST DO ON 31 MARCH 2021

Whilst we strongly recommend that you register for FBT and if applicable lodge a Nil FBT Return, if you decide not to there is still key information that we need you to record as at 31 March 2021. We will then rely on this when we complete your 2021 annual Financial Statements. Here's a summary of what you need to do:

1. On Wednesday 31 March 2021, when they have finished their travel for the day request your team each take a photo of their vehicle odometer readings using their phones and email the photo to you, or to a nominated person in your business to collate them all for you. Having these vehicle odometer readings

for all business vehicles is vital to us being able to examine ways your FBT can be reduced.

2. Carefully manage the private use of business cars, including the travel between home and work. The ATO is conducting a data matching program aimed at motor vehicles to capture benefits that aren't currently being reported through FBT. If you are selected for a review, the ATO will review your vehicle odometer readings and calculate the distance between your employee's home and your office. If significant variances are identified a full ATO audit may follow.
3. Review all meal entertainment expenses provided to employees, associates and clients and prepare a register that outlines the following for every event:
 - The total cost (GST inclusive)
 - How many employees were present and their names
 - How many employees' associates were present and their names
 - How many clients were present (names not needed)
 - The nature of the event (dinner, lunch, coffee, drinks, etc.)

The FBT Questionnaire that we have attached to this email has a meal entertainment sheet that will simplify this for you.

4. WHAT ITEMS ARE EXEMPT FROM FBT?

If you are providing items like mobile phones, laptops, tablets, portable printers, protective clothing, tools of trade etc, or minor and infrequent benefits that are less than \$300 in value, you are unlikely to have to worry about FBT.

The exemption only applies if the benefits are both minor and infrequent. To find out if you pass of these tests – please ask us to send you our **Applying the Minor & Infrequent Benefits Exemptions** factsheet.

You can fill out our **FBT Questionnaire** and **Schedules** to be 100% sure.

5. ARE THERE ANY SPECIAL COVID-19 EXEMPTIONS FOR FBT?

You may provide your employees with benefits you do not usually provide because of COVID-19. This includes paying for items that allow your employees to work from home.

Working from Home

You may have provided employees with items to allow them to work from home (or from another location) due to COVID-19. Some items will usually be exempt from FBT if they are primarily used by your employees for work. The items include:

- laptops
- portable printers
- other electronic devices.

Also, the minor benefits exemption or the otherwise deductible rule may apply if you:

- allow your employee to use a monitor, mouse or keyboard they otherwise use in the workplace, or
- provide them with stationery or computer consumables or pay for their phone and internet access.

Protective Equipment

You may need to pay FBT on items you give your employees to help protect them from contracting COVID-19 while at work. These include:

- gloves
- masks
- sanitisers
- anti-bacterial spray.

However, these benefits are exempt from FBT under the emergency assistance exemption if you provide them to employees:

- who have physical contact with – or are in close proximity to – customers or clients while carrying out their duties, or
- are involved in cleaning premises.

Examples of this type of work include:

- medical (such as doctors, nurses, dentists and allied health workers)
- cleaning
- airline
- hairdressing and beautician
- retail, café and restaurant.

If your employees' specific employment duties are not of the kind described above, the minor benefits exemption may apply if you provide an employee with minor, infrequent and irregular benefits under \$300.

Motor Vehicles during COVID-19 restrictions

You won't provide a car fringe benefit where a car is not applied for your employee's private use or taken to be available for your employee's private use.

During a period of COVID-19 restrictions, a car that you have provided to your employee is not taken to be available for your employee's private use if all the following apply:

- the car is returned to your business premises
- your employee cannot gain access to the car
- your employee has relinquished an entitlement to use your car for private purposes.

You may have been garaging work cars at your employees' homes due to COVID-19. You may not have an FBT liability depending on:

- the type of vehicle
- how often the car is driven, and
- the calculation method you choose for car benefits.

There are other COVID-19 FBT exemptions that may apply to you, so again we recommend that you complete our **FBT Questionnaire** and **Schedules** so we can review everything for you and advise you correctly to ensure you minimise any FBT payable.

6. WAYS YOU CAN REDUCE YOUR FBT LIABILITY

Here are some ways in which you can reduce your FBT liability:

- replace your fringe benefits with cash salary;
- provide benefits that your employees would be entitled to claim as an income tax deduction if they had to pay for the benefits themselves;
- look at providing benefits that are exempt from FBT; and
- use employee contributions, for example, an employee paying for some of the operating costs of car fringe benefit such as fuel that you don't reimburse them for. You need to be aware that employee contributions will be deemed assessable income to you and subject to GST.

FBT FACTSHEETS

Please let us know if you would like us to send you any or all of the following FBT Factsheets which are also available on our website:

- What is a Car Fringe Benefit?
- Employee Business Cars – Tips & Traps
- Entertaining, Meals & FBT – Tips & Traps
- Using an Associate Lease to boost family income
- Minor and Infrequent Benefits
- How the ATO identifies potential audits
- Why you should lodge a FBT Return
- Workhorse Vehicles and new Safe Harbour provisions