

FBT & Car Parking – Savings, Concessions & Some Tips to Consider

Under the FBT legislation, the provision of car parking by the employer to employees can be taxed in a variety of ways. This is primarily due to the diversity in which an employer is able to provide a “parking” benefit. Secondary to this is the complexity of the FBT law, which can naturally lead to confusion, misunderstandings and errors.

With the 2013 FBT year end just around the corner on 31 March, park yourself up for a few minutes and we will share some thoughts

Exempt car parking or car parking not subject to FBT

Car parking can be exempt or not subject to FBT for a number of reasons, including:

- There is no commercial parking station (CPS) within a 1 kilometre radius of the premises where the employer provides the car parking that charges more than the daily threshold amount as its lowest fee for a full day of parking on the first day of the FBT year – that’s a mouthful. The threshold is adjusted each year. For the FBT year ended 31 March 2013 the threshold amount is \$7.83 per day (2012 \$7.71).
- There is no CPS within a 1 kilometre radius. FULL STOP
- When the employee parks their car in the employer provided car parking space for a 24 hour midnight to midnight period. This is often the case where an employee is travelling.
- When the car is parked in the car parking space for less than 4 hours in total between 7am and 7pm. This could arise in respect of an employee in a sales role who is on the road most of the time or a shift worker who starts work late in the afternoon or finishes early in the morning.
- When the parking fee is provided (reimbursed) in respect of business travel. The key here is being sure that the car parking fee has been incurred whilst on business travel.

It’s important to check on your businesses particular circumstances, locations, car parking policy and reimbursement policy, to see if the above exemptions and reductions may apply.

Fully taxable car parking

This is the one to avoid! Can result in a nasty FBT bill and a reportable fringe benefit for the employee!

Often arises (unknowingly) due to employee’s sourcing their own car space agreement and then entering into arrangement whereby the employer reimburses the employee monthly for the monthly car parking lease fee.

Let me illustrate:

An employee leases a car space for the 2013 FBT year in their own name for \$880 per month including GST. The employer reimburses the employee on a monthly basis.

The lowest CPS within a 1 kilometre charges an average daily rate of \$12 including GST.

The FBT payable under the Statutory Formula Method (SFM) is **\$2,620**. Car parking fringe benefits are not reportable on an employee's 30 June 2013 payment summary.

However, and it's a big however, as the employer provides the car parking by way of an expense payment reimbursement, then **the benefit must be valued based on the amount reimbursed**. So the above SFM calculation is not applicable and only useful in illustrating the resulting problem

The annual FBT payable on the monthly reimbursement of \$880 is **\$10,139**. Or a nasty **\$7,519 MORE TO PAY** than under the SFM.

In addition, the employee will end up with an amount of **\$19,739 as a reportable fringe benefit on their 30 June 2013 payment summary**.

Another situation that commonly arises where FBT is payable in full on car parking, is where an employer regularly reimburses an employee's daily car parking fee. This may be an ongoing "policy" agreement between the employer and their employee/s due to a lack of car spaces in the employers premises or is often seen as being an equivalent cost to a taxi fare for employees who regularly are required to work late (in this case the taxi fares would be exempt from FBT).

However, where an employer regularly reimburses an employee's daily car parking fee, then FBT will be payable in full on the total amount reimbursed. If the reimbursement is not so regular, then it may be possible to claim the minor benefit exemption. Although what's regular and what's irregular? We'll park that story for another time!

Concessionally taxed car parking

This is where the fun starts! How low can you go? The lower the better = less FBT to pay! Why pay more FBT than you have to?

The Average Cost Method is easily the most common valuation method for concessionally taxed car parking. It is also the Method by which employers unknowingly (as is often the case), pay far more FBT than is required.

We illustrate below the significant savings employers can achieve using examples for 10, 20, 40 and 80 spaces, and average daily rates ranging from \$18 down to \$10. This potential reduction in average daily rates is indicative of what is achievable. A small reduction in the daily rate makes for a large FBT saving.

Ave. daily rate	No. of spaces	FBT Payable	Cumulative FBT Saving	No. of spaces	FBT Payable	Cumulative FBT Saving
\$18	10	\$39,294		20	\$78,589	
\$14	10	\$30,562	\$8,732	20	\$61,124	\$17,464
\$10	10	\$21,830	\$17,464	20	\$43,660	\$34,928
Saving per space			\$1,746	Saving per space		\$1,746

Ave. daily rate	No. of spaces	FBT Payable	Cumulative FBT Saving	No. of spaces	FBT Payable	Cumulative FBT Saving
\$18	40	\$157,177		80	\$314,354	
\$14	40	\$122,249	\$34,928	80	\$244,498	\$69,856
\$10	40	\$87,321	\$69,856	80	\$174,641	\$139,713
Saving per space			\$1,746	Saving per space		\$1,746

If you've got a sizeable FBT bill on your car parking or just think you're paying way too much FBT on car parking – it's time to take a closer look at the average daily rate and make sure that you're not paying more FBT than required by the law.

Trends in car parking benefits:

Here are some of the trendy things happening with car parking:

Employee contribution method

More employers are allowing employees to make an after tax contribution to the provision of their car parking benefit. The works similar to novated lease arrangements

Cashing out

Cashing out the car parking benefit for salary and wages is certainly trendy but not necessarily popular. Cashing out can cause headaches for both the employees and the employer. From the employee perspective it can be challenging finding a cost effective long term parking solution. Whilst employers are usually motivated by reducing benefits to minimise administration, the cutting of car parking can lead to unhappy employees as they bring their car parking woes into the workplace.

The 12 week register method

The preparation of a 12 week car parking "logbook" register is often one way to reduce the FBT liability. This can be done on an employee by employee basis or more broadly. And like all FBT "logbooks", once it's completed, it remains valid for 5 years.



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If you're involved in the year end FBT process and preparation or review of the FBT Returns – good luck. If your not involved, we hope the above gave you some useful insight into FBT & car parking.

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