



2017 FBT Return Survey Report

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With the 2018 FBT Return reporting season just around the corner, we wanted to share with you the results from the 2017 FBT Return Survey.

We have summarised the results into 6 key areas:

- 1. Preparation**
- 2. Challenges**
- 3. Entertainment**
- 4. Motor Vehicles**
- 5. FBT Review**
- 6. FBT Outsource**

At the end of the report, we provide some recommendations for your 2018 FBT Return.



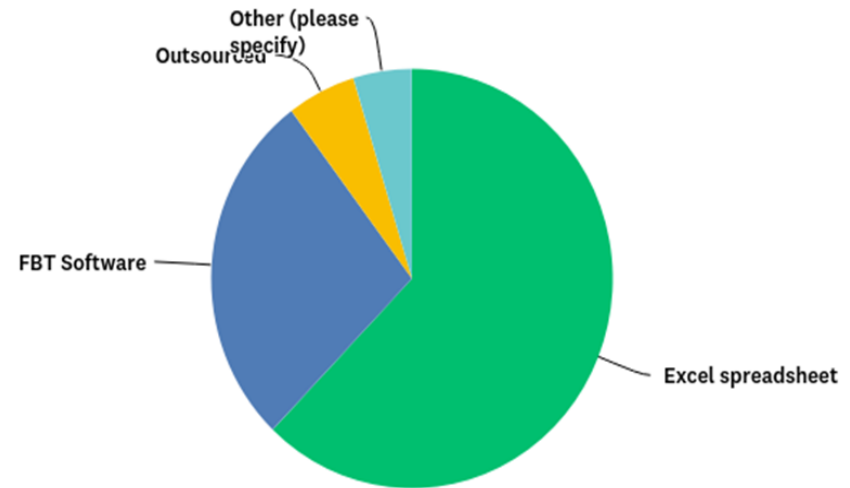
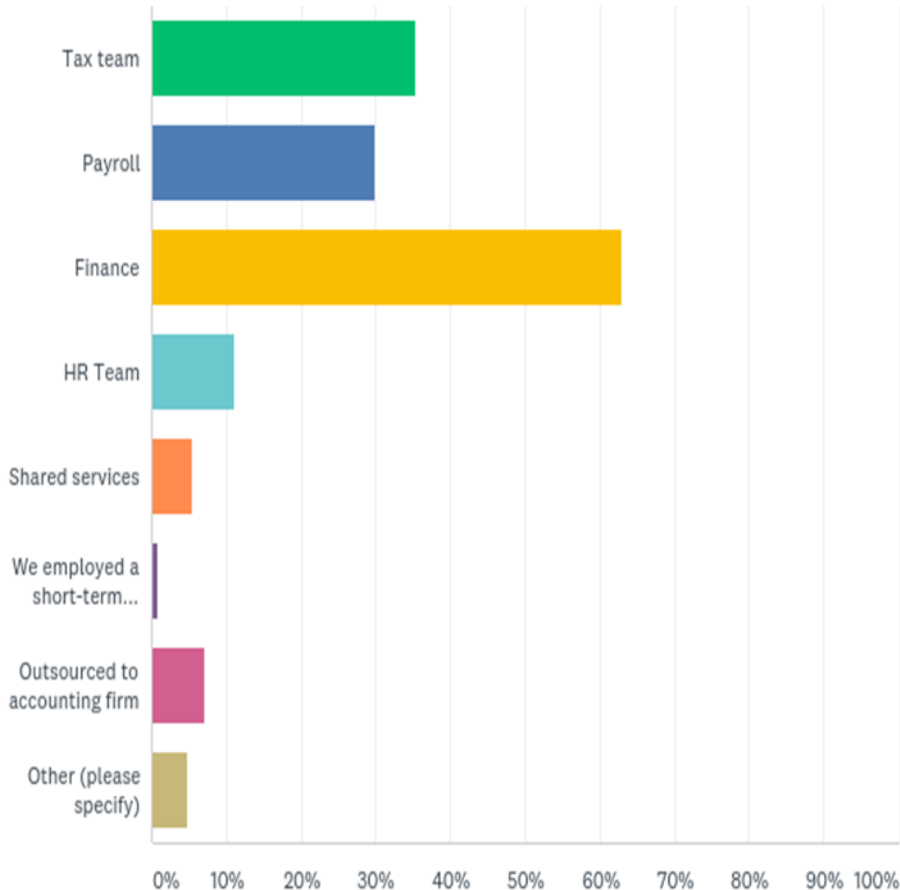
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FBT Return Preparation

How did you prepare your 2017 FBT Return?

Who prepared the 2017 FBT returns?

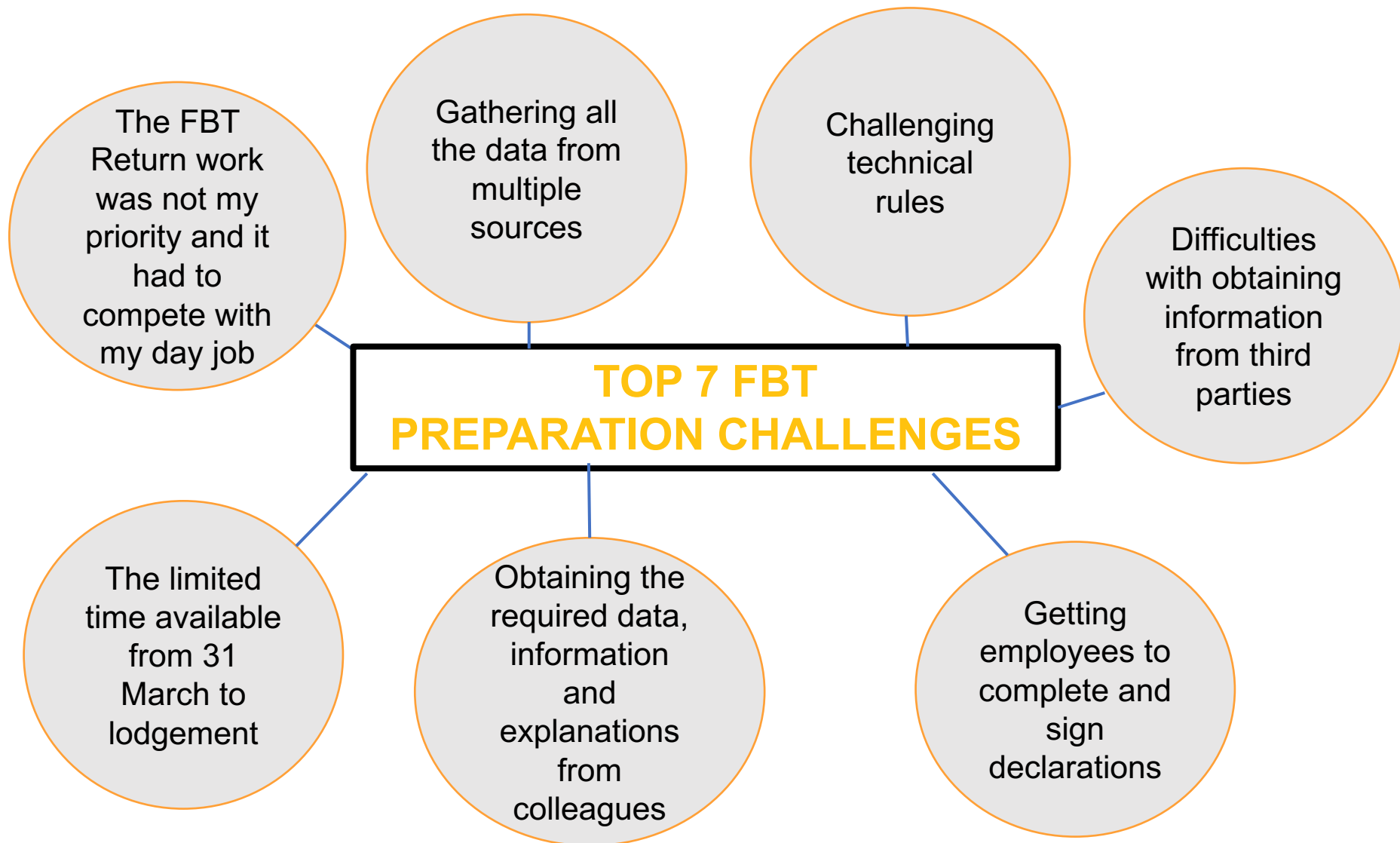
- **63% of FBT Returns were prepared by Finance teams**
- Finance teams played a significant role in preparing 2017 FBT Returns, followed by Tax, HR and Payroll teams.



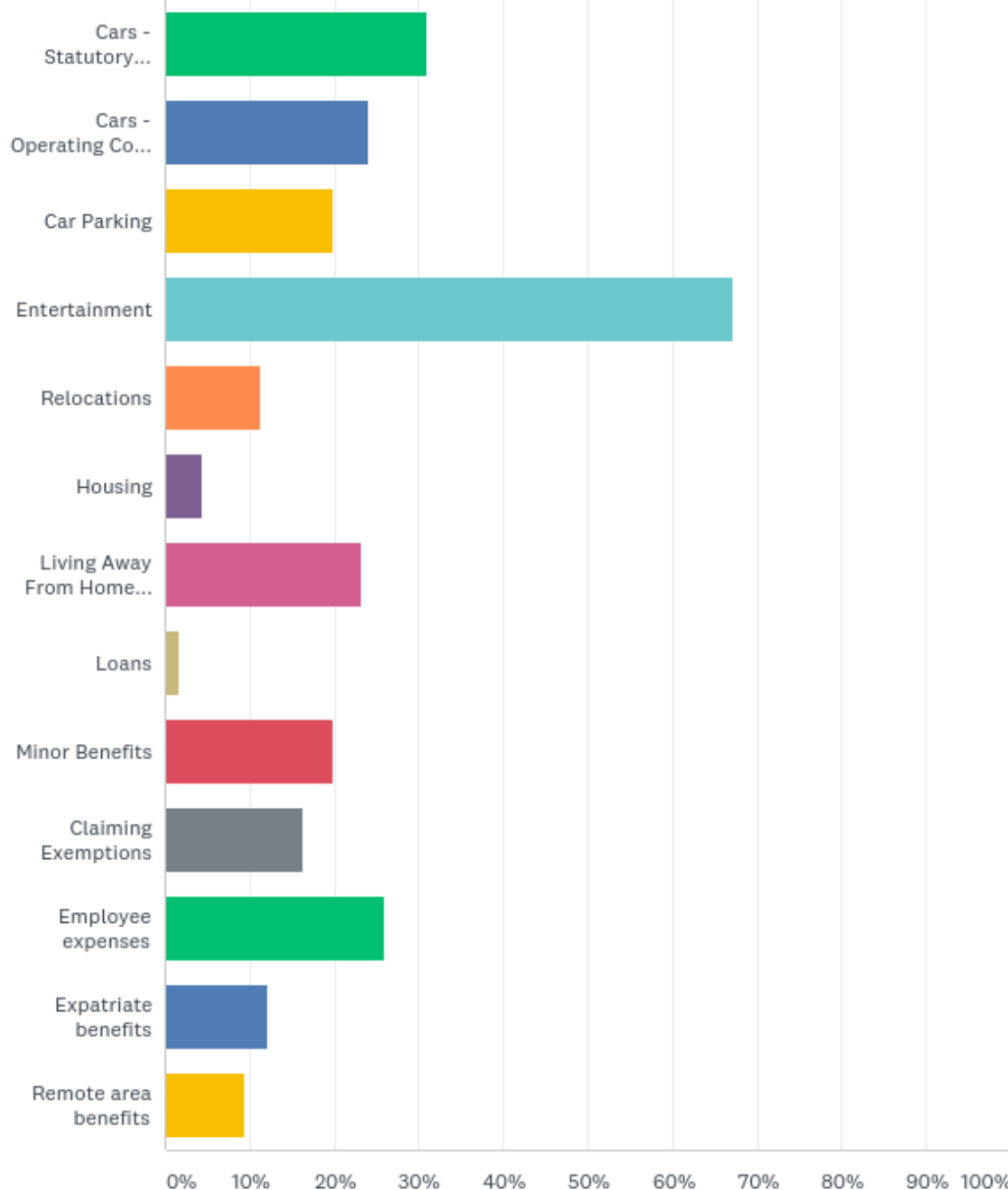
How was the FBT Return prepared?

- **62% of respondents prepared their 2017 FBT returns using an Excel Spreadsheet**
- **32% used FBT Software**
- Preparing an FBT Return with a spreadsheet brings with it a range of risks that can lead to incorrect FBT calculations and misstatements.

FBT Return Challenges



Entertainment remains the biggest challenge!

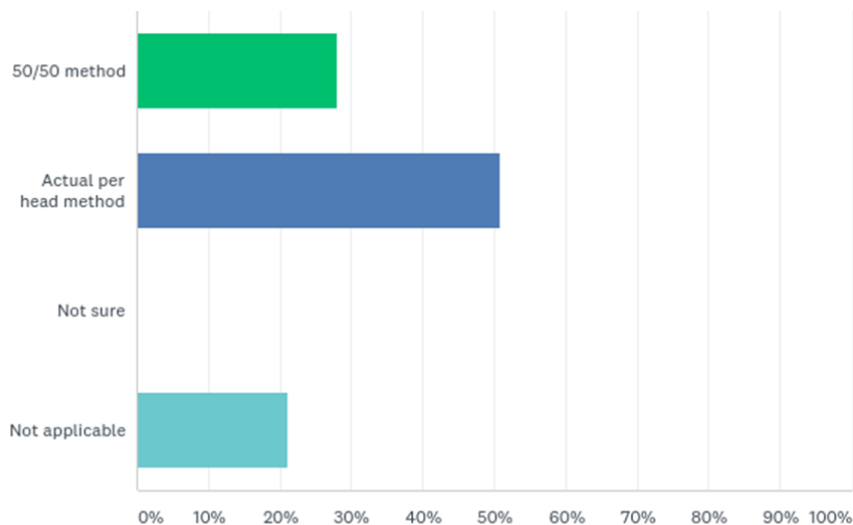


Entertainment remains the “bogey” benefit for the majority of preparers.

The reasons include:

- Time being spent analysing transactions and invoices in detail;
- The requirement to separately report meal entertainment, entertainment facility leasing and recreational entertainment;
- Unbundling mixed entertainment;
- Distinguishing between meal entertainment and sustenance;
- Understanding the valuation methodologies and associated rules;
- Determining the application of the exemptions; and
- Having to reconcile the FBT treatment to the GST claims and Income Tax deductibility.

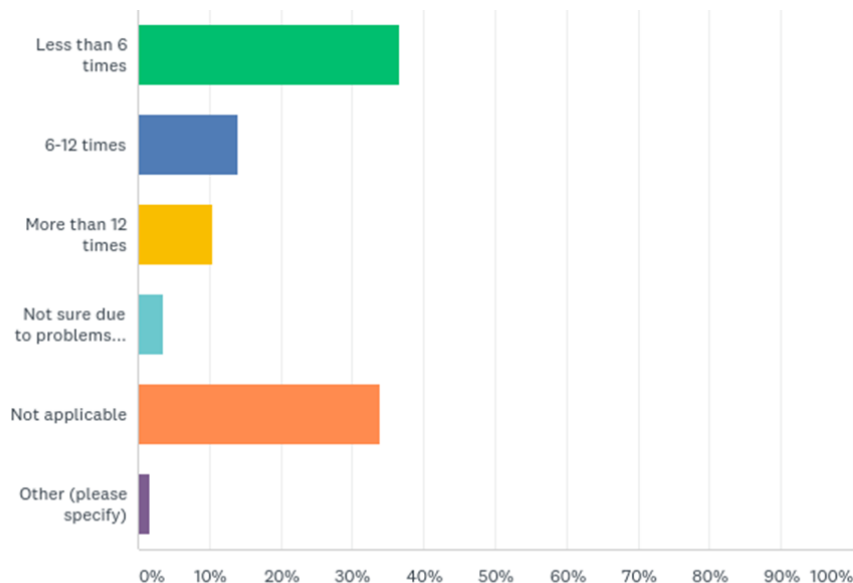
Meal Entertainment Valuation & Exemption



Meal Entertainment remains a significant challenge

The reasons include:

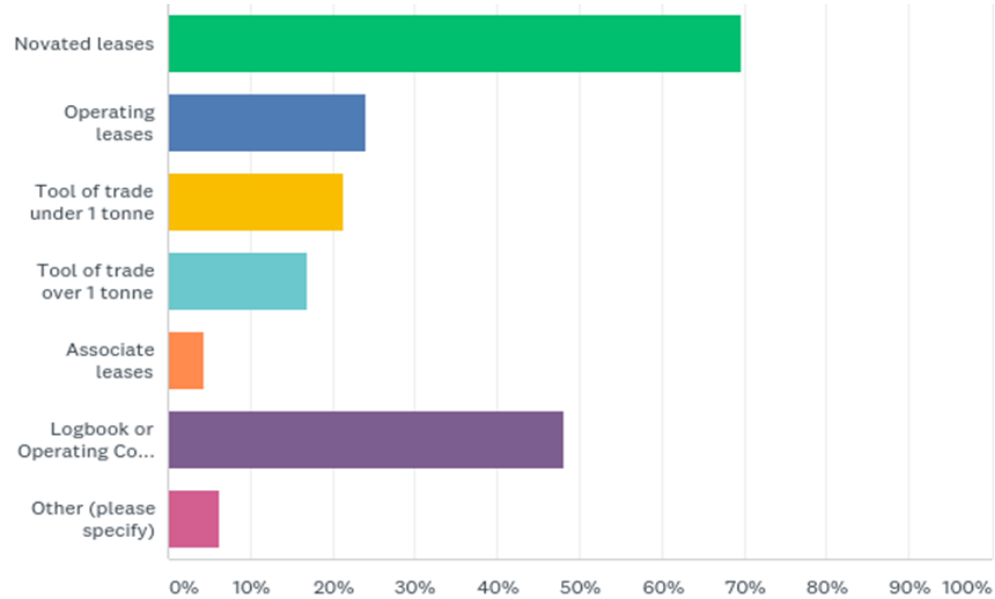
- Understanding the nature of an expense and often having to determine on a transaction by transaction basis;
- Difficulties in choice of valuation. For those businesses providing meal entertainment, **65% use actual method and 35% use 50/50 method;**
- Actual method requires detailed analysis of each transaction and certainty;
- Actual method allows for claiming of FBT exemptions. **Over 90% of businesses who used actual method claimed the minor benefit exemption;** and
- The majority of minor benefit exemption claims were fewer than 6 times per employee, whilst a number of employers claimed exemption 6-12 times and a small number claimed exemption over 12 times per employee.



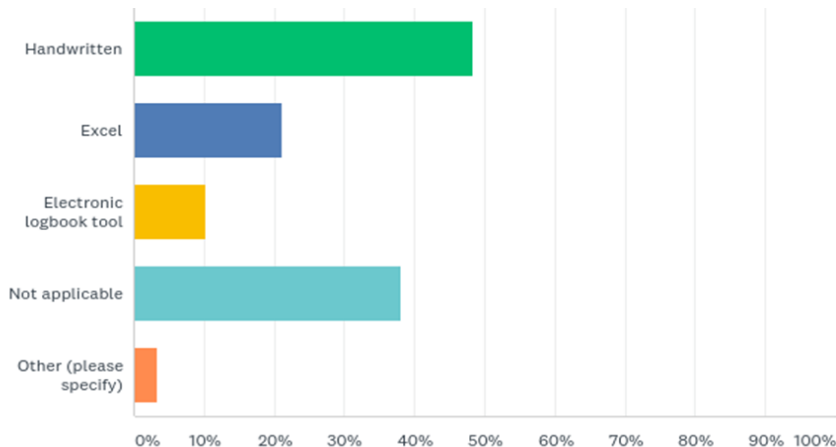
Motor Vehicles are the biggest FBT risk!

With employers providing motor vehicles in a range of ways, in general we find a lack of policy and understanding of the FBT rules. These include:

- A lack of knowledge regarding when exemptions, days unavailable and reductions can be claimed;
- Poor record keeping in relation to Logbooks; and
- Overpayment of FBT for Operating Leases



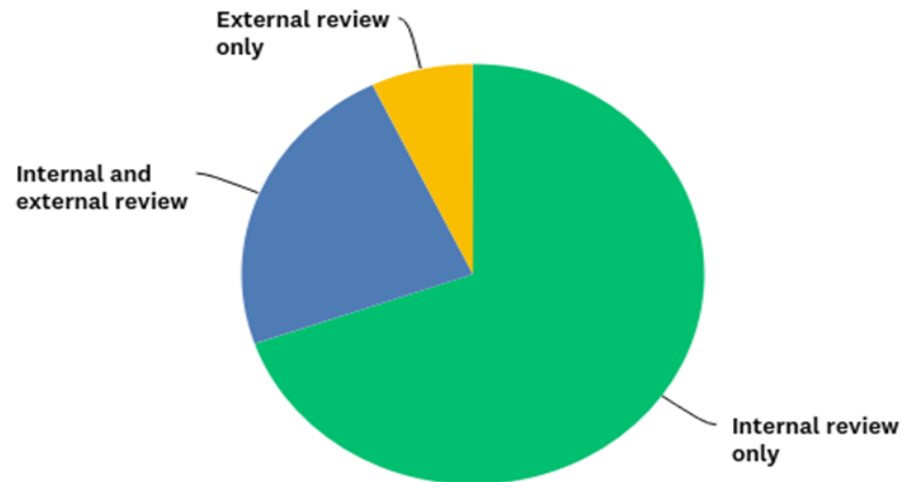
Logbook Preparation



- **44% of Car Logbooks are handwritten;**
- **19% of Car Logbooks are prepared using a spreadsheet;**
- Manually prepared logbooks represent a significant FBT risk for employers; and
- Require significant review time to validate the accuracy and eligibility of the logbook

FBT Review

Given the challenges associated with FBT, it is surprising that only 30% of FBT returns were externally reviewed prior to lodgement with the ATO.



The advantages and reasons for an external review include:

- Having an independent view;
- Checking that a sound preparation process has been followed;
- Ensuring that all benefits have been captured;
- Checking that the correct or lowest valuation method has been chosen;
- Identifying that all relevant exemptions and concessions have been claimed;
- Ensuring that the mistakes of the past are not repeated; and
- The substantiation requirements have been met.

The Outsourcing of FBT

Many organisations see Outsourcing as an option across business functions and tasks

Given the many challenges in preparing FBT returns as highlighted in the survey and covered in this report, the option to FBT Outsource is relevant for a number of reasons.

What did you tell us in the survey?

The major reasons for the Outsource of FBT are as follows:

- The **conflict with the preparer(s) day job**, often experienced by those in Finance roles;
- **Competing deadlines** in the March – June timeframe. FBT really is a sprint (with always a few hurdles);
- Getting the **resourcing / workload** right within the team is always a juggle;
- Recognition that **FBT is a specialist area** and requires the appropriate technical and practical experience to ensure compliance;
- Acknowledgment that treating **FBT as a once-a-year tax obligation** raises the risk level; and
- **Making FBT a priority!**

Turning the attention to 2018 FBT Returns...

We hope you found the 2017 FBT Return Survey report useful and provided you with some insight to the challenges faced by many businesses of all shapes, sizes and industry type, as well as the trends.

Turning our attention to the 2018 FBT Return, we make the following recommendations:

1. **Now is never too early to start planning the 2018 FBT Return process**
2. **We recommend focussing on the following key benefit areas early:**
 - a) **Entertainment** – review the accounting process and understand how invoices have been processed and to what extent entertainment has been separated from sustenance and whether attendee numbers are split between employees and non-employees (for actual method)
 - b) **Car Logbooks** – do logbooks exist and are they compliant?
 - c) **Motor Vehicle Exemptions** – are you comfortable that the exemption criteria have been met?
 - d) **Car Parking** – do you know all your business / work locations and if parking is provided?
 - e) **Relocations & Mobility** – analyse and categorise in to either Temporary Relocation / Living Away From Home, Permanent Relocation and Travel.
3. **Commit to having your 2018 FBT Return reviewed prior to lodgement**
4. **Don't hesitate to ask for help. Most businesses manage FBT on a once-a-year basis and have competing priorities, including income tax compliance and other day jobs!**

If you would like to discuss any aspect of the 2017 FBT Return Survey or any aspect of your FBT obligations, please don't hesitate to contact our team at info@fbtsolutions.com.au.

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