



# 2018 FBT Return Survey Report

# 2018 FBT Return Survey

We would like to share with you some key insights from our 2018 FBT Return Survey, based on feedback from FBT preparers and reviewers of their concerns, challenges and uncertainties.

A key area of the survey is the integration of technology to manage employee expense claims and car logbook record keeping. In addition, better FBT management through outsourcing and external review.

We would like to present to you a snapshot of the results in 5 key areas:

1. FBT Return preparation
2. Common challenges
3. Entertainment, Minor benefit exemptions and Employee expenses
4. Motor Vehicles
5. FBT Outsource

At the end of the report, we provide some recommendations for FBT management and your 2019 FBT Return.

If you would like to discuss any aspect of the 2018 FBT Return Survey or any aspect of your FBT obligations, please do not hesitate to contact myself directly or our team at [info@fbtsolutions.com.au](mailto:info@fbtsolutions.com.au).

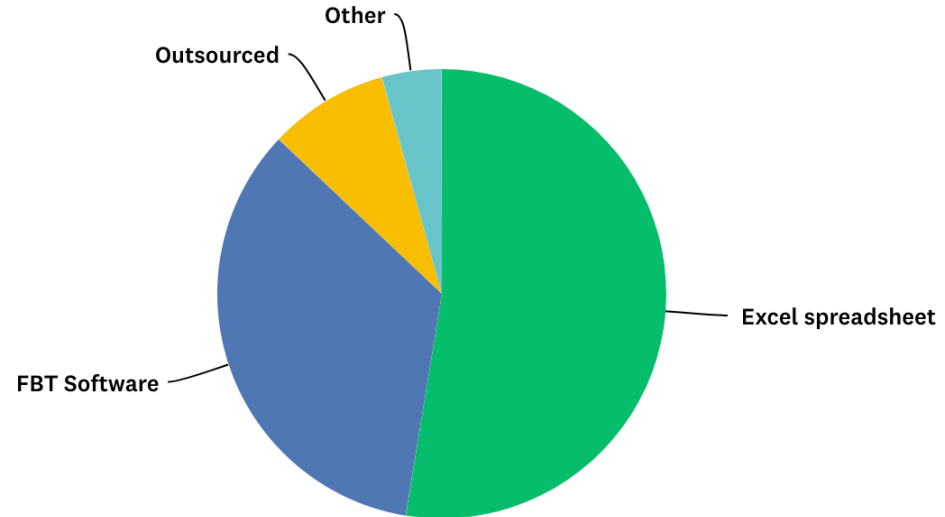
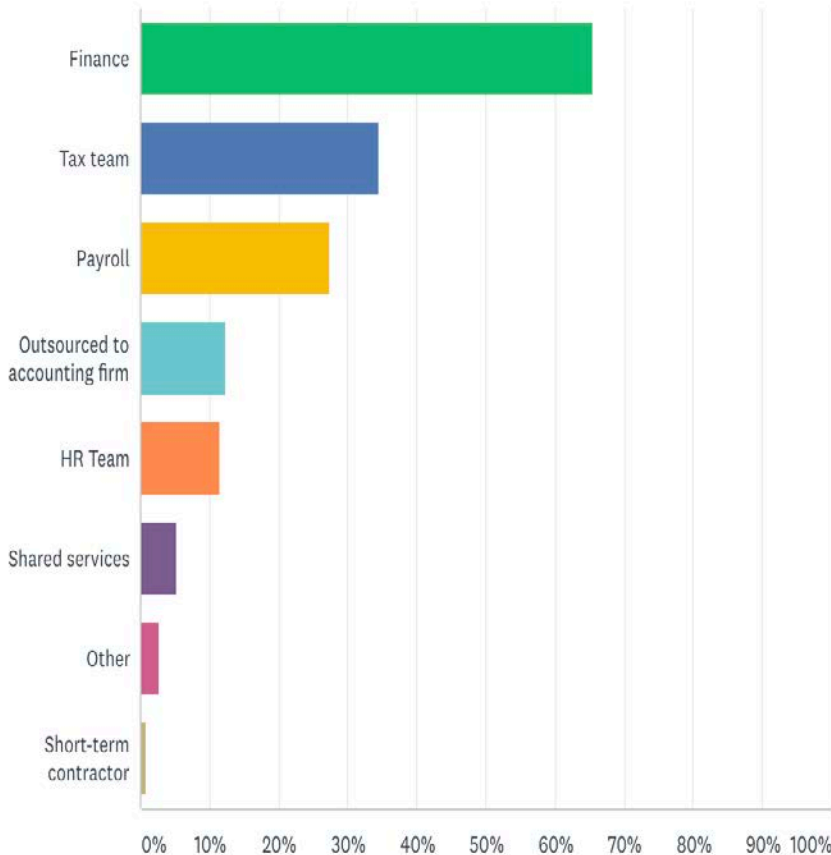


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## Who and How did you prepare your 2018 FBT Return?

Who prepared the 2018 FBT returns?

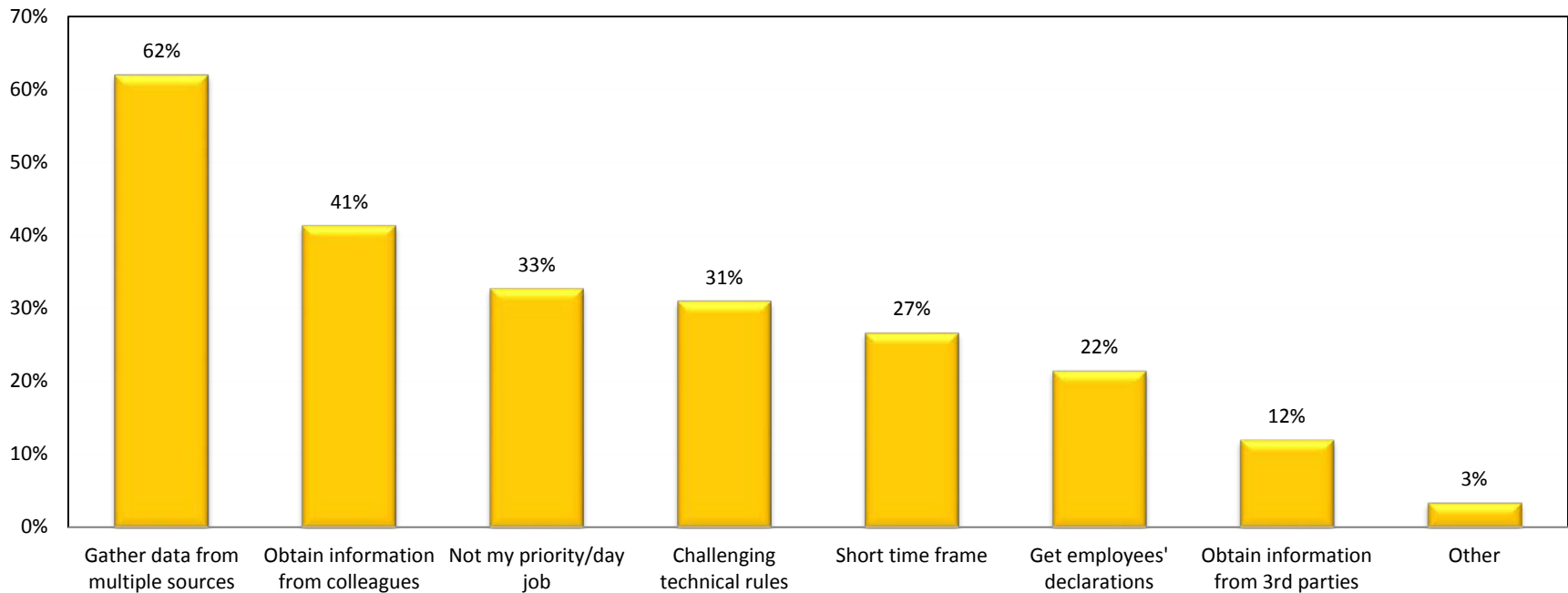
- **65% of FBT Returns were prepared by Finance teams**
- Finance teams continued to play a significant role in preparing 2018 FBT Returns, followed by Tax and Payroll teams. Outsourcing of FBT returns to tax agents and accounting firms is increasing (almost double compared with last year).



How was the FBT Return prepared?

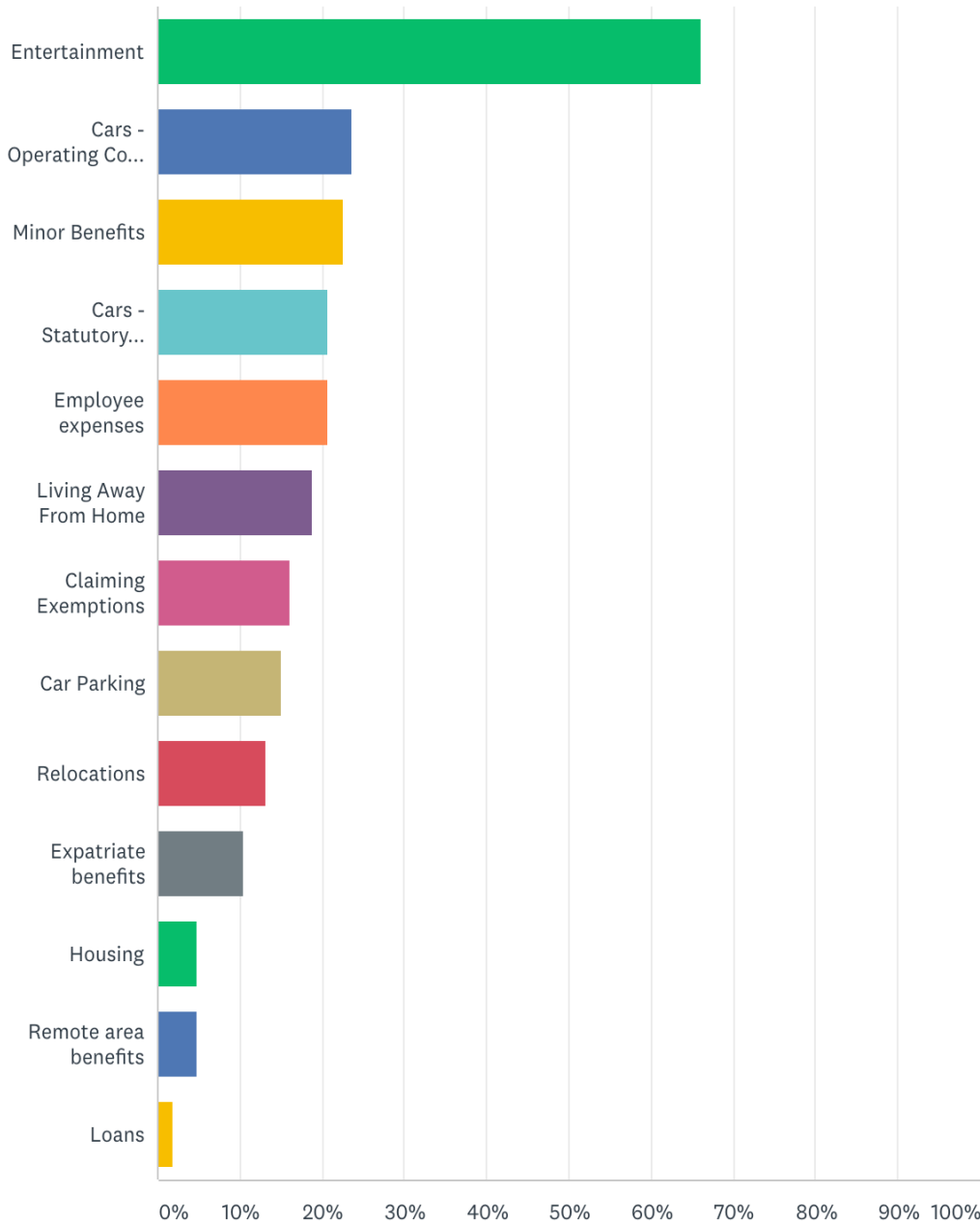
- **53% of respondents prepared their 2018 FBT returns using an Excel Spreadsheet**
- **34% used FBT Software**
- Preparing an FBT Return with a spreadsheet brings with it a range of risks that can lead to incorrect FBT calculations and misstatements.
- Use of customised FBT software and **outsourcing** are key solutions to reducing risk in preparing FBT returns.

# FBT Return Challenges



- The major FBT Return challenges are obtaining data and information from various sources
- Survey respondents also highlighted that FBT is not a priority in their “day job” (most preparers are finance professionals rather than tax professionals) and there are many technical challenges with the FBT rules.
- Fringe benefit tax rules are complex. FBT reporting is treated as a once a year task that really requires specialist FBT input. Preparers do not have the time to keep their FBT knowledge up to date or are not confident about their interpretation of FBT legislation and its application.

# Entertainment remains the biggest challenge!



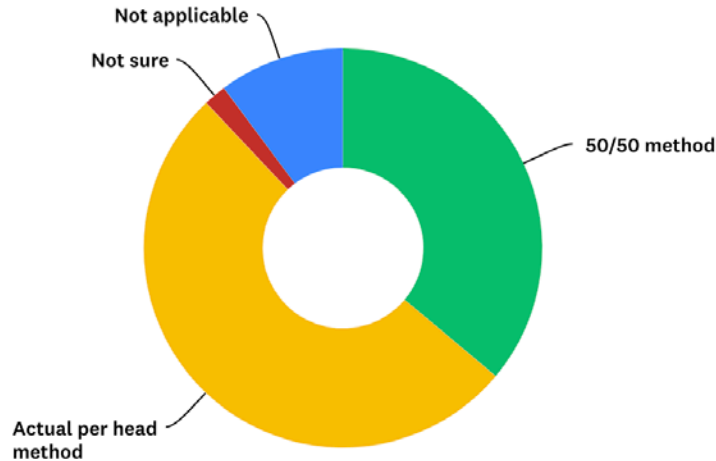
**Entertainment remains the “bogey” benefit for the majority of preparers – agreed by 66% of survey responses**

The reasons for this 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 & Minor benefit Exemption

## Actual method or 50/50 method?



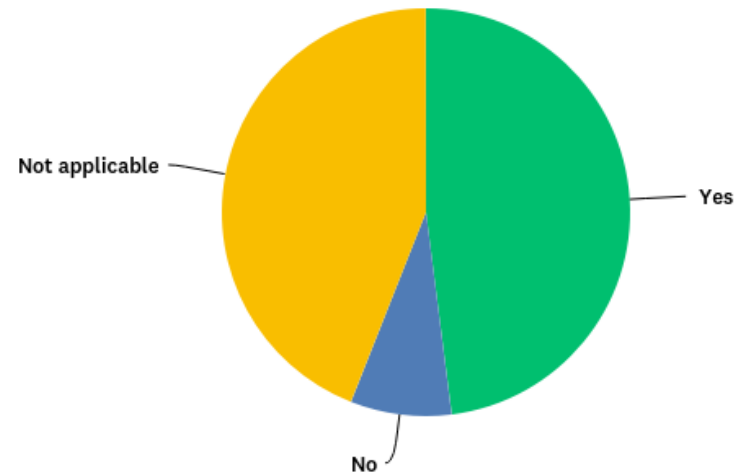
- Actual method allows for claiming of key FBT exemptions. **Over 86% of businesses who used actual method have claimed the minor benefit exemption.**
- However, survey respondents have told us that claiming the minor benefit exemption is the third most challenging area due to complexity and the additional analysis that can be required. There has been no clear guidance from the ATO of how often an employer can claim the minor benefit exemption.

## Meal Entertainment remains a significant challenge

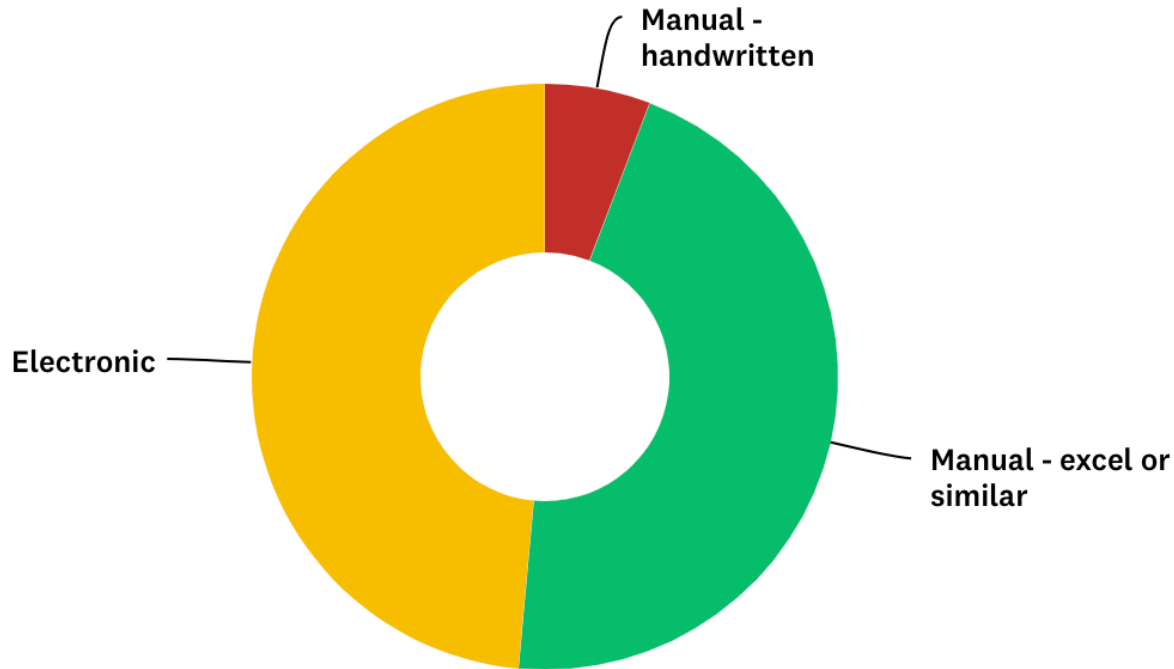
The reasons include:

- 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, **52% of businesses use actual method and 36% of businesses use 50/50 method;**
- Actual method requires detailed data to be available for each and every transaction.

## Did you claim the Minor benefit Exemption?



# Employee expenses – the manual majority

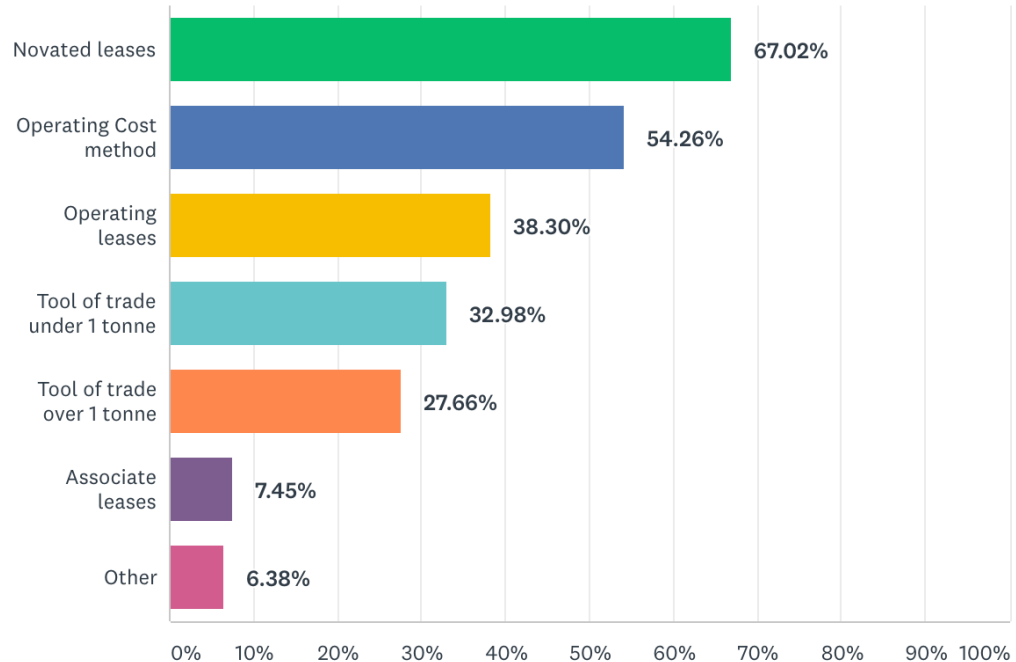


- The majority of businesses are still using hand written or excel based methods for their employee expense process
- However, where electronic systems are in place, issues are still common due to poor account structure, lack of rules or policy and employee misunderstandings
- No system is perfect, ongoing training for users and policing them are important. Set and forget won't work.

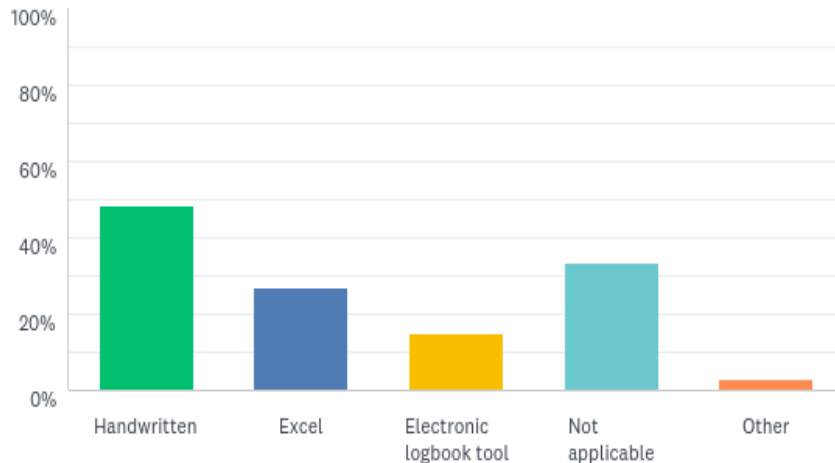
# Motor Vehicles are the biggest FBT risk!

**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



- **49%** of Car Logbooks are **handwritten**;
- **27%** of Car Logbooks are prepared using a **spreadsheet**;
- **15%** of Car Logbooks are controlled using **electronic logbooks**
- Manually prepared logbooks represent a significant FBT risk for employers; and
- Require significant review time to validate the accuracy and eligibility of the logbook

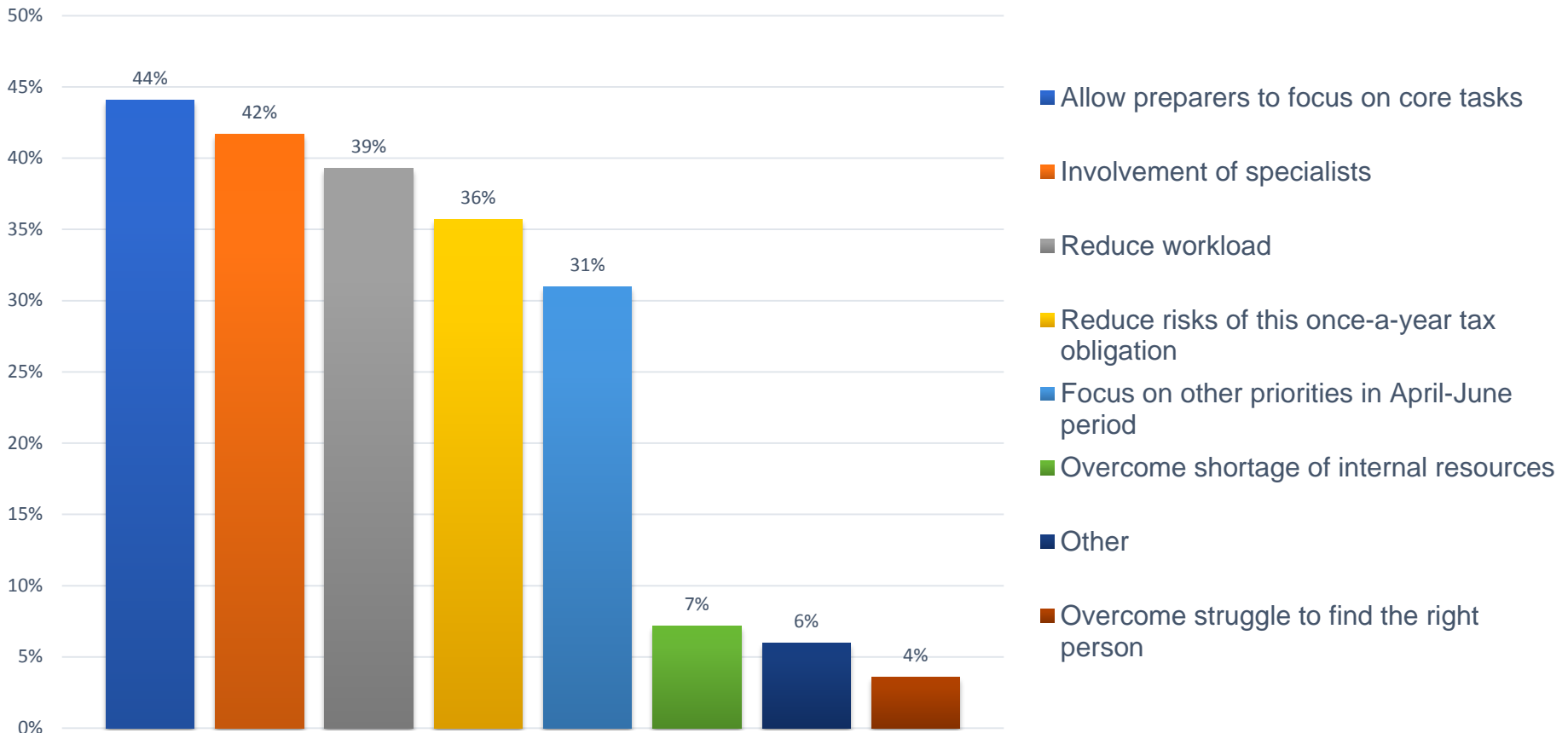


# The Outsourcing of FBT

Many organisations see Outsourcing of FBT 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 Outsource FBT is relevant for a number of reasons.

What did you tell us in the survey? The major advantages of FBT Outsourcing are as follows:



# Turning the attention to 2019 FBT Returns...

We hope you found the 2018 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 2019 FBT Return, we make the following recommendations:

1. **Now is never too early to start planning the 2019 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) **Minor benefit exemptions:** are the benefits provided on an infrequent and irregular basis?
  - c) **Car Logbooks** – do logbooks exist and are they compliant?
  - d) **Motor Vehicle Exemptions** – are you comfortable that the exemption criteria have been met?
  - e) **Car Parking** – do you know all your business / work locations and if parking is provided?
  - f) **Relocations & Mobility** – analyse and categorise into either Temporary Relocation / Living Away From Home, Permanent Relocation and Travel.
3. **Commit to having your 2019 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 2018 FBT Return Survey or any aspect of your FBT obligations, please don't hesitate to contact our team at [info@fbtsolutions.com.au](mailto:info@fbtsolutions.com.au).

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