

**January 2020**

*As the 2020 FBT year-end comes upon us, now is a good time to give some thought to key FBT areas and what to look out for!*

## **What are the Big 4 of FBT?**

Every organisation is different regarding the types of benefits provided and the extent to which benefits are provided - whether directly or via salary packaging arrangements.

In our experience, the Big 4 benefit categories are Motor Vehicles, Car Parking, Entertainment and Relocations (including Travel, LAFHA, Remote Area and Expatriates).

So what makes each of these benefit categories so special, or challenging? Below we analyse each category and give our thoughts.

### **Motor Vehicles**

Motor vehicles often comprises a significant percentage of an organisations FBT liability, hence the desire to reduce the FBT liability. The FBT technical rules in relation to Motor vehicles are complex, and often practically difficult, when seeking to reduce the taxable value, whether by:

- One third reduction
- Employee contribution
- Claiming days unavailable
- Logbook records; or
- Claiming exemption

When reducing the taxable value (for any benefit category) the reduction must be fully supported and documented.

More recently the ATO have released concessional Practical Compliance Guidelines (PCG) in relation to Logbook and claiming exemption for Tool of Trade and Work related vehicles. These PCG's themselves contain a level of complexity and strict requirements to avail the concession and associated reductions.

Motor vehicles remain a key focus area by the ATO through scrutiny of claiming Motor Vehicle expenses, double dipping on Novated Lease car expenses, GST & Depreciation on luxury cars, Logbooks, claiming Exemption, correct Valuation choice or correctly reporting Employee Contributions for FBT, GST and Income Tax purposes.

## Car Parking

The car parking rules are undergoing significant reform – with the ATO proposing to broadly treat a car park that offers all-day parking (being at least six continuous hours between 7am and 7pm) as a “commercial car parking station” for FBT purposes. This is the case even where the car park’s fee structure may discourage parking for that length of time by charging a much higher penalty fee. Examples include shopping centre car parks and car parks adjacent to hospitals and airports. Importantly, new online car parking operators are included as providing commercial car parking even where only a small number of spaces are offered.

The impact of these changes, for employers who provide employee car parking facilities within 1 kilometre of such a car park, is that they may have to pay FBT on the car parking – in the past, rightly or wrongly, this may not have been the case.

Car parking is a complex benefit with multiple counting and valuation methodologies potentially available. It is probably the most misunderstood benefit and probably the benefit that is most easily “ignored” for FBT purposes due to the complexity. These changes by the ATO will remove some of the complexity.

Finally, coupled with these FBT changes is an increased focus by the ATO on use of market valuation method. In particular the ATO are concerned that valuers have prepared valuation reports using a daily rate that doesn’t reflect the market value. As such, the taxable value of the benefits is significantly discounted or in some cases even to nil.

The ATO is calling on employers and their accountants to understand that there exists a responsibility to confirm the basis on which valuations are prepared and to understand that engaging an arm’s-length valuer does not mean they have met all the requirements for working out the taxable value of their car parking fringe benefits.

The ATO is putting the onus back on employers in considering if a valuation is a valid assessment. The ATO have further stated that the minimum requirements for a market valuation report include:

- the date of the valuation,

- the precise description of the location of the car parking facilities valued,
- the number of car parking spaces valued,
- the value of the car parking spaces based on a daily rate,
- the full name of the valuer and their qualifications,
- the valuer's signature, and
- a declaration stating the valuer is at arm's length from the valuation.

## Entertainment

Always the biggest challenge come FBT time! Distinguishing between Meal Entertainment and deductible meals can be difficult - there is reliance on the employees to provide the correct description, documentation and details (who attended and what is their relationship to the company)

The requirement to separate between Meal Entertainment, Entertainment Facility Leasing and Recreational Entertainment. For each category of entertainment it is necessary to decide how to value, can the minor benefit be applied and do we need to report on employee payment summaries.

Finally, we need to ensure our FBT, GST and Income Tax treatment are consistent!

## Relocations (including Travel, LAFHA, Remote Area & Expatriates)

Did you know that Relocations are the most popular topic for seeking ATO advice by way of Private Binding Rulings? So why is this...

Relocations is an FBT area that is not necessarily specific to a benefit category but is analysed based on an individual employee's circumstances. Depending on the employee's circumstances, there are a number of scenarios (and FBT exemptions and concessions) that may apply, as follows:

- Business Travel
- Personal Travel
- Mix of Business and Personal Travel
- Temporary Relocation
- Permanent Relocation
- Fly in Fly Out
- Remote Area residence
- Temporary Resident (Expatriate)

In addition, the ATO has released two draft public rulings in relation to Employee Travel expenses - these rulings whilst subject to finalisation, provide a degree of uncertainty.

We hope the above gives you an understanding of why we think the above are the Big 4 of FBT.

How does our thinking apply to your organisation?

## 2020 FBT Training – Workshops, Webinars and In-house Training

We are running full day 2020 FBT workshops and online webinars in March 2020, providing you and your team with the knowledge and tools to efficiently and effectively prepare the 2020 FBT return.

### 2020 FBT Workshops

The locations and dates for the 2020 FBT Return Workshops are as follows:

**Sydney:** Thursday 5 March 2020

**Perth:** Tuesday 10 March 2020

**Adelaide:** Thursday 12 March 2020

**Brisbane:** Tuesday 17 March 2020

**Melbourne:** Thursday 19 March 2020

**Canberra:** Tuesday 24 March 2020

**Sydney:** Thursday 26 March 2020 (2<sup>nd</sup> day)

For more information and to register, please click here: [2020 FBT Workshops](#)

### 2020 FBT Webinars

Get ready for FBT 2020 by attending one or more of our 90 minute webinars, live or recording. There are 7 in total to choose and each FBT webinar is a deep dive in to the technical and practical issues, as well as relevant changes, ATO focus and war stories.

All the big FBT & Salary Packaging topics **(including the Big 4 discussed above)** will be covered with Q&A time included. Here are the summary details for each webinar. Please click on [Register](#) for more details:

**FBT 2020: Car Parking – New Rules & ATO Compliance Activity:**

Wednesday 12 February 2020, 1pm to 2:30pm (AEST) [Register](#)

**FBT 2020: Salary Packaging Essentials:**

Wednesday 19 February 2020, 1pm to 2:30pm (AEST) [Register](#)

**FBT 2020: Entertainment Expenses and FBT:**

Wednesday 4 March 2020, 1pm to 2:30pm (AEST) [Register](#)

**FBT 2020: Cars and Exemptions:**

Wednesday 11 March 2020, 1pm to 2.30pm (AEST) [Register](#)

**FBT 2020: Relocations, Remote Area, LAFHA and FBT:**

Wednesday 18 March 2020, 1pm to 2:30pm (AEST) [Register](#)

**FBT 2020: FBT Return Update Essentials:**

Wednesday 25 March 2020, 1pm to 2:30pm (AEST) [Register](#)

**FBT 2020: FBT Reporting for the Not-for-Profit Sector:**

Wednesday 8 April 2020, 1pm to 2:30pm (AEST) [Register](#)

## **2020 FBT – In-house Training**

In addition to full day Workshops and Webinars on FBT and Salary Packaging, we also offer in-house training for you and your team.

In-house training provides an opportunity to focus specifically on the benefits your organisation provides together with an understanding of the policies, processes and documentation required.

We work with you to design the agenda and content, and allow you and your team to drive the training ie we can focus more or less on certain topics as required.

Recent in-house training sessions we have delivered include Preparing your FBT Return, Managing mobile employees, the Employee Expense Process & Entertainment, Implementing Salary Packaging and implementing FBT Policies and Processes.

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If you wish to discuss anything further in relation to Training, Salary Packaging or FBT, please reach out to our office on 02 8079 2924, or contact me directly at [paul.mather@fbtsolutions.com.au](mailto:paul.mather@fbtsolutions.com.au) or contact our team at [info@fbtsolutions.com.au](mailto:info@fbtsolutions.com.au).

**Yours in FBT,**

**Paul Mather**

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