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Fringe Benefits

Although the Fringe Benefits Tax year ends 31 March, employers will need to know what amounts are deductible for income tax purposes. Probably the most common fringe benefit is the provision of the staff Christmas party. The cost of providing such a party is only deductible to the extent that it is subject to Fringe Benefits Tax.

Accordingly, any costs that constitute exempt benefits are not deductible. The costs associated with the Christmas party may fall into two categories of exempt benefits – exempt property benefits or exempt minor benefits.

Food and drink costs for the party will be exempt property benefits if the party is provided on a working day at normal business premises and for current employees. If the cost of the party is less than \$300 per Fringe Benefit Tax item per employee and any associates that may attend, the cost may constitute a minor fringe benefit and therefore be exempt from Fringe Benefits Tax, regardless of whether the party is held on business premises or elsewhere.

Laptop computers and other work related portable electronic devices provided to employees are only exempt from fringe benefits tax if used primarily for work purposes. There is also a limit of one similar electronic product per employee per annum, e.g. one iPhone or one PDA.

From 1 April 2007 the value of using a pooled motor vehicle, is a non reportable benefit, that is, there is no longer a requirement to record the value of the benefit on employee PAYG summaries. For employees wishing to obtain the government's co contribution in respect of superannuation contributions or claim the Family Tax Benefit, this may be a significant concession. Appropriate records must be maintained to show that a vehicle has in fact been "Shared".

The Fringe Benefits Tax liability relating to the private use of any particular motor vehicle provided by an employer to an employee can be determined in one of two ways. The first is a statutory formula based on the cost of the vehicle and the number of kilometres travelled in a given Fringe Benefits Tax year. The second is the operating cost method.

However, the 2011 Federal budget increased the statutory rates for vehicles travelling more than 25,000 kilometres in an FBT year. The rate for vehicles travelling less than 15,000 kilometres was decreased. The new rates apply to all vehicles acquired after 10 May 2011.

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Statutory rate (multiplied by the cost of the car to determine a person's car fringe benefit)					
Distance travelled during the FBT year (1 April – 31 March)	New contracts entered into after 7:30pm (AEST) on 10 May 2011				
	Existing contracts	From 10 May 2011	From 1 April 2012	From 1 April 2013	From 1 April 2014
0 – 15,000km	0.26	0.20	0.20	0.20	0.20
15,000 – 25,000km	0.20	0.20	0.20	0.20	0.20
25,000 – 40,000km	0.11	0.14	0.17	0.20	0.20
More than 40,000km	0.07	0.10	0.13	0.17	0.20

Accordingly, where vehicles are used predominantly for business purposes, employees (particularly employees with a vehicle included in their salary package) may find it more beneficial to switch to the operating cost method. This entails maintaining a log book for at least 12 weeks within one FBT year.

Existing vehicles at 10 May 2011 continue to be assessed under the old rates.

If you are planning to update a vehicle provided to an employee, we would be happy to discuss the consequences of the Budget measures with you.