

Fringe Benefits Tax (FBT) Policy

Section 1 - Background and Purpose

(1) The Department of Treasury and Finance ('DTF') has developed a Tax Compliance Framework as a means of managing and addressing the risks arising from tax non-compliance. A review of our tax compliance in comparison to the standards set by the DTF framework has identified a need for a formal documented FBT policy. A FBT policy is required to provide guidelines to staff and assist in minimising the risk of non-compliance with FBT legislation.

(2) The purpose of this Policy and its related Procedure is to provide a general overview of Fringe Benefits Tax ('FBT') and its applicability to La Trobe University ('the University'). The document and procedure should be the first point of reference in regards to the provision of benefits to employees and the treatment of fringe benefits. Where the issue in question is outside the scope of this document all queries should be referred to the Financial and Tax Accountant.

Section 2 - Scope

(3) Applies to:

- a. University operations

Section 3 - Policy Statement

(4) The University must comply with the obligations arising from Fringe Benefits Tax Assessment Act 1986 ('FBTAA') and all associated ATO Tax rulings. All staff involved in any University activities potentially affected by the FBT legislation should familiarise themselves with the requirements of the FBT Act as detailed in this policy, and in particular, the effect of the FBT in their area of work. For example, employees who organise social events need to be aware of the FBT costs associated with organising such an event. Any FBT related queries should be directed to Corporate Finance.

Section 4 - Procedures

Part A - Calculation of FBT and the Effect of GST

Types of Fringe Benefits

(5) There are several categories of fringe benefits that the University might provide to its employees and their associates.

(6) The various categories of fringe benefits are listed below:

- a. Car benefits

- b. Expense payment benefits
- c. Housing benefits
- d. Living-Away-From-Home Allowance benefits
- e. Property benefits
- f. Tax-Exempt body entertainment benefits
- g. Car parking benefits
- h. Residual benefits
- i. Debt Waiver and Loan benefits

(7) The University assesses and pays FBT on an annual basis on the benefits provided during the FBT year (1 April to 31 March). FBT is on-charged to individual cost centres in June for the preceding FBT period. If the department realise that the charges are incorrect overall, they must notify Corporate Finance as soon as possible. Finance will then contact the Australian Taxation Office (ATO) and requests an amended assessment in November each year for the preceding FBT year.

(8) The rate of FBT is 49.0% from 1 April 2015 of the “grossed-up taxable value” of the fringe benefit. When the University provides taxable fringe benefits to employees, there are some distinct steps involved in calculating the FBT liability. The introduction of the goods and services tax (GST) resulted in the application of two different gross-up rates being applied (depending on the ability to claim tax credits relating to the benefit) when calculating FBT.

Type 1 Gross-up Rate of 2.1463 from 1 April 2015

(9) The type 1 gross up rate is to be applied in respect of fringe benefits that are GST creditable benefits. In very basic terms this is where the University is entitled to input tax credits in respect of the acquisition or importation of “the thing” that results in the benefit. Note that there must only be an entitlement for the University to claim an input tax credit. For example, where the University has not claimed an input tax credit because it does not have a valid tax invoice, the benefit will still be a type 1 fringe benefit as the University has an entitlement to claim an input tax credit once it obtains a valid tax invoice.

(10) The FBT of a type 1 fringe benefit is calculated as follows:

$$\text{Taxable value of fringe benefit} \times 2.1463 \text{ (Gross up rate)} \times 0.49 \text{ (Rate of FBT)}$$

(11) Most benefits provided by the University are grossed-up at the type 1 gross-up rate as the University will most likely have been entitled to claim input tax credits in respect of the benefits provided to staff.

Example 1 - Calculating FBT Using Type 1 Gross-up Rate

(12) David Jones, a University employee is supplied with a fringe benefit valued at \$500 (including GST), the University was entitled to claim a GST input tax credit when it first acquired the good. FBT will therefore be calculated using the Type 1 gross-up rate i.e. $\$500 \times 2.1463 \times 0.49 = \525.84 (fringe benefits tax payable relating to this benefit is charged to the cost centre that the employee works for.)

Type 2 Gross-up Rate of 1.9608 from 1 April 2015

(13) The type 2 gross up rate is applied when the benefit is not a type 1 benefit. In basic terms the type 2 gross-up rate is applied where there is no entitlement to an input tax credit in respect of the purchase of the underlying fringe benefit.

(14) The FBT of a type 2 fringe benefit is calculated as follows:

Taxable value of fringe benefit x 1.9608 (Gross up rate) x 0.49 (Rate of FBT)

Reportable Fringe Benefits

(15) Where the taxable value of employee fringe benefits (other than excluded fringe benefits) exceeds \$2,000 for the FBT year ending 31 March, that amount, after being grossed up by the type 2 gross up rate (1.9608), will be stated on the employees PAYG Payment Summary.

(16) The reportable fringe benefits value for employees receiving type 1 benefits will need to be recalculated using the type 2 grossed up rate for PAYG payment summary reporting purposes. Even though a reportable fringe benefit is included in a payment summary, it is not included in the employee's assessable income. It is, however, included in a number of income tests relating to the following government benefits and obligations:

- a. Medicare levy surcharge
- b. Mature age worker tax offset
- c. Deduction for personal superannuation contributions
- d. Tax offset for eligible spouse superannuation contributions
- e. Super Co-contribution
- f. Higher Education Contribution Scheme (HECS) and Higher Education Loan Programme (HELP) repayments
- g. Child support obligations and
- h. Entitlement to certain income-tested government benefits (Family Tax Benefit, Child Care Benefit and for the parental income test for the youth allowance)

(17) Pooled Cars, Car parking and meal entertainment fringe benefits are excluded from the above reporting requirement.

Part B - Car Fringe Benefits

(18) The existence of a car fringe benefit is determined on a daily basis and arises when a University motor vehicle, owned or leased, is used by an employee or their associate for private purposes or is available for such use. Examples of car fringe benefits include a motor vehicle provided to an employee as part of a remuneration package, or a pool vehicle taken home by an employee overnight.

Taxable Value of Car Fringe Benefits

(19) There are two alternative methods for valuing car benefits, the statutory formula and the operating cost method.

(20) The statutory formula method – Following the 2011 Commonwealth Budget, 20% became the single statutory rate regardless of kilometres travelled and applied to all car fringe benefits provided after 7.30pm AEST on 10 May 2011 except where a pre-existing commitment was in place to provide a car, in which case the taxable value of the car fringe benefit is a percentage of the car's value, which is dependent on the distance travelled (refer below for details).

(21) The operating cost method – the taxable value of the car fringe benefit is broadly the private use percentage of the total costs of operating the car during the FBT year. The percentage varies with the extent of actual private use. The lower the incidence of actual private use, the lower the taxable value.

Choosing the Valuation Method

(22) The University policy is to use the Statutory Formula Method for calculating FBT on car fringe benefits. In certain circumstances, where the vehicle is predominantly used for business purposes, the Finance department may permit

the use of the operating cost method but permission must be first sought from the Financial and Financial and Tax Accountant.

(23) Statutory Formula Method: Under this method the taxable value of the benefit is determined by the following statutory formula:

$$\text{Taxable value} = (A \times B \times C/D) - E$$

Where: A is the base value of the car (GST Inclusive);

B is the statutory fraction;

C is the number of days during the year on which a car benefit was provided;

D is the amount of days in the FBT year (i.e. 365 days or 366 in a leap year);

E is the amount of any recipient's payment (i.e. employee contribution).

Component "A": Base Value of Car

(24) This varies depending on whether the motor vehicle is owned or leased.

(25) Car originally owned - The base value is the cost price of the car inclusive of GST. The cost price is the expenditure directly attributable to the acquisition and delivery of the car (including accessories), but excluding registration and stamp duty costs.

(26) Car originally leased - The base value of a leased car is the cost price of the car to the lessor, inclusive of GST. This value can normally be obtained from the lease company at the request of the University. It is to be noted that the base value of the car is the cost price when the University first held the car. The base value will not change if the car is re-financed.

(27) Any non-business accessories added after the lessor acquired the vehicle increases the base value of the car for the year in which they are added and for subsequent years.

(28) Where the lessor acquires the vehicle at some other time, the base value is the market values (including GST) i.e. the amount the acquirer could reasonably be expected to have paid to buy the vehicle in an arms-length transaction.

(29) Reduction the base value of the car after four years - The base value of the car can be reduced by one third in the FBT year that commences after the car has been owned or leased for four full FBT years. This reduction applies only once to the relevant car and the reduced base value can be used for subsequent years.

Component "B": Statutory Fraction

(30) The statutory fraction may vary according to the number of annualised kilometres travelled by the car during the year. Where the provider of the benefit held the car for only part of the year, the number of whole kilometres travelled during that time is annualised to reflect the distance that would have been travelled if the car had been held during the whole year with the same pattern of use.

(31) The fractions for the FBT purposes are:

a. Total number of kilometres travelled during the FBT year (annualised) Statutory fraction

i. Pre 10 May 2011:

- Less than 15,000 26%
- 15,000 to 24,999 20%
- 25,000 to 40,000 11%
- More than 40,000 7%

ii. From 11 May 2011: 20%

Example 3 - Annualised Kilometers

(32) If a car is owned or leased for part of an FBT year, we need to work out how many kilometres the car would have travelled if it was owned or leased for the whole FBT year. For example, if the University provides Judy Smith with a car fringe benefit from 1 November 2004. At 31 March 2005 (FBT yearend), the vehicle had travelled 12,000 kilometres. The vehicle's annualised kilometres would be 29,007 kilometres. $[(12,000\text{km}/151 \text{ days}) \times 365 \text{ days}]$

Employee (Drivers) Obligations Relating to Odometer Readings

Salary Packaged Vehicles

(33) Employees who have received motor vehicles as part of a salary packaging arrangement are obliged to supply odometer readings as requested by 31st of March of every year. For more information on these issues please contact the Financial and Tax Accountant.

University Supplied Vehicles

(34) University employees who are provided with University owned or leased vehicles as part of their salary arrangements or who have access to University vehicles in the evenings, should ensure their odometer readings are forwarded to the Fleet Manager on the 1st of April of every year (as will be requested by the Financial and Tax Accountant in writing once a year). Employees are required to complete Motor Vehicle Declaration Form. Odometer readings should also be recorded on disposal every time a vehicle is traded in for a new one. Drivers should be aware of the number of kilometres they have travelled throughout the year, ensuring the vehicle travels the kilometres specified and allowed for in their employment contracts. In general, drivers should be aware of circumstances that could lead to FBT savings when the annual kilometres travelled are approaching the next highest band. This only applies if the car fringe benefit was provided prior to 10 May 2011.

FBT Warning

(35) The Maximum 26% statutory percentage could be imposed where sufficient records are not kept for those vehicles provided prior to 10 May 2011.

(36) Where opening and closing odometer readings are not kept, the Deputy Commissioner of Taxation may impose the maximum 26% statutory percentage against the base value of the car.

Staff Use of University Pool Vehicles

(37) University pool vehicles taken home overnight for work related purposes are deemed to be available for private use and will therefore be regarded as a fringe benefit and subject to FBT. Vehicles taken home on a particular night will be deemed as a fringe benefit provided over two days. For example, a car is taken home by an employee on a Monday night for a business trip to be undertaken on Tuesday morning, the vehicle is regarded as being available for private use both on the Monday and Tuesday. Pool vehicles used exclusively for work related purposes may not attract FBT; however this will however need to be substantiated through the maintenance of a logbook.

Component "C": Number of Days Benefits Provided

(38) FBT is payable only on the number of days that a car is available for private use and is provided to an employee during the FBT year. The taxable value of a car benefit can therefore be reduced by the number of days the benefit was not provided during the FBT period. In the following circumstances it may be argued the car is not available for private use:

(39) Car left at a commercial storage facility - e.g. car left at an airport parking facility while an employee is travelling

interstate or overseas. Stringent conditions must first be satisfied for this requirement to apply. This includes the storage facility must not be in the vicinity of the employee's place of residence and custody and control of the car must be removed from the employee or their associates (e.g. keys handed to the car park facility, providing the commercial storage facility holds the keys on behalf of the University and is acting on behalf of the University and not the employee).

(40) Car left at panel beaters while being repaired – Where a car is damaged in an accident and requires panel beating to restore it to its original condition, a car fringe benefit does not arise during the period the car is kept at the panel beaters on behalf of the University. Note: if the car is being repaired and is dropped off and picked up on the same day the employee still has use of the car on that day. In this regard, a car needs to be in for repairs for 3 days, the middle day not being available for private use. A separate benefit will however arise if either the panel beater or the University provides a replacement car.

(41) Car impounded at employers business premises – Where a car is genuinely impounded on the University's premises and not otherwise available for any other employee or associate to use for private purposes, the number of days the car is available for use can be reduced. This could occur when an employee terminates their employment, travels interstate or overseas or is away on long service, annual or sick leave. In all cases the keys will need to be held in safekeeping at the University's premises. Employees are responsible for providing written advice to the Financial and Financial and Tax Accountant Department of days where vehicles have not been available for private use as specified above.

Component “D”: Number of Days During the Year

(42) The number of days during the FBT year concerned and that is from the beginning 1 April and ending 31 March, that is 365 or 366 in a leap year.

Component “E”: Recipient's Payment

(43) The taxable value of a car fringe benefit can be reduced by the amount of any “recipient's payment”, often called employee contributions.

(44) Determining the employee contribution: An employee contribution may be an amount paid either:

- a. Directly to the employer by the employee for use of the car – the employee contribution must be made from the employee's after-tax income and is included in the employer's assessable income
- b. By the employee to a third party for some of the car's operating costs (e.g. fuel) and these contributions are not included in the employer's assessable income

Part C - Expense Payment Benefits

What is an Expense Payment Fringe Benefit?

(45) An expense payment fringe benefit arises when:

- a. The University reimburses an employee or their associate for private expenses they incur; or
- b. The University makes a payment to a third party in satisfaction of private expenses incurred by the employee or their associate.
- c. In either case the expenses must be private expenses. Where the expenses are a combination of private and business, just the private component will be an expense payment fringe benefit.

Examples of (private) Expense Payment Fringe Benefits

(46) Below are examples of expense payment fringe benefits and their classification as type 1 or type 2 fringe benefits:

- a. Children's school fees:
 - i. Pre-school fees Type 2
 - ii. Primary, secondary, tertiary course fees Type 2
 - iii. School books & school uniform Type 1
- b. Credit card payments Type 2*
- c. Electricity or gas (heat and power) Type 1
- d. Groceries Type 1 or Type 2
- e. Home mortgage or other private loans Type 2
- f. Medical and health benefits:
 - i. Chiropractic Type 2
 - ii. Dental Type 2
 - iii. Optometry Type 2
 - iv. Psychology Type 2
 - v. Herbal medicine (including traditional Chinese herbal medicine) Type 2
- g. Personal car expenses. Type 1
- h. Health insurance premiums Type 2
- i. Life insurance premiums Type 2
- j. General insurance premiums Type 1
- k. Private telephone charges Type 1
- l. Rates and land taxes Type 2
- m. Employee education fees with no GST Type 2
- n. Employee education fees with GST Type 1
- o. HECS Fees Type 2

(47) For the purposes of calculating FBT on the listed expenses it is important to determine if the benefits are an input taxed supply or a GST-free supply. Refer to the [GST \(Goods and Services Tax\) Policy](#) for further information.

(48) Input Taxed and GST free supplies have no GST payable on the supply and therefore the University is not entitled to an input tax credit. Hence, the type 2 gross up rate is applied in calculating a taxable value of the benefit.

(49) The reimbursement or payment of an employee's credit card liability to an agreed value will be a financial supply and therefore a type 2 benefit. If however the reimbursement is for a specific expense on the credit card the question of whether to use type 1 or type 2 gross-up rate will depend on the GST status of that particular expense being paid or reimbursed.

Otherwise Deductible Rule

(50) If an employee incurred an expense solely in performing employment-related duties, (e.g. work-related telephone expenses) the expenditure would be deductible to the employee for income tax purposes. Under the otherwise deductible rule, if the University reimburses the employee for all or part of these expenses then the taxable value of the expense payment fringe benefit would be nil. This is provided that the employee would only be entitled to a once off deduction in respect of the expense had they incurred the expense.

Payments that are Not Expense Payment Fringe Benefits

Payment of an Allowance

(51) An allowance is not a reimbursement and therefore not an expense payment fringe benefit and is generally subject to income tax. Tax ruling TR92/15 defines an allowance, as “A payment is an allowance when a person is paid a definite predetermined amount to cover an estimated expense”. It is paid regardless of whether the recipient incurs the expected expense. The recipient has the discretion whether or not to expend the allowance.

(52) TR 92/15 further defines a reimbursement as, “A payment is a reimbursement when the recipient is compensated exactly (meaning precisely, as opposed to approximately), whether wholly or partly, for an expense already incurred although not necessarily disbursed.” In general, the employer considers the expense to be its own and the employee incurs the expenditure on behalf of the employer. A requirement that the employee vouch expenses lends weight to a presumption that a payment is a reimbursement rather than an allowance. A requirement that the recipient refunds unexpended amounts to the employer adds further weight to that presumption.” Reimbursements that are not work related are subject to FBT as an expense payment fringe benefit.

Specific Exempt Expense Payment Fringe Benefits

(53) Most reimbursements to employees on a cents per kilometre basis for expenses of operating a car that is owned or leased by the employee. However the payment will be assessable income of the employee for income tax purposes and the employee will have to satisfy the income tax substantiation requirements relating to car expenses in order to obtain an offsetting deduction.

(54) Reimbursement or payment of accommodation expenses incurred solely because the employee is required to live away from home to perform the duties of employment. However for this exemption to apply employees are required to complete a ‘Living Away from Home Allowance Declaration Form’.

(55) Laptop computer - the exemption is limited to one laptop computer per employee per year.

(56) A portable printer for use with a Laptop computer

(57) An electronic diary, a personal digital assistant or similar item

(58) Mobile phone – if the mobile phone is primarily for use in the employee’s employment.

(59) Taxi travel – is an exempt benefit if the travel:

- a. is a single trip beginning or ending at the employee’s place of work; or
- b. arises as a result of sickness or injury to the employee.

(60) Other non-work-related taxi travel generally gives rise to an expense fringe benefit.

Part D - Housing Benefits

(61) A housing fringe benefit arises where the University grants an employee or their associate a “housing right” (i.e. a right to occupy or use a unit of accommodation as a usual place of residence). The right must exist for more than one day. It may cover any type of accommodation, as long as it is the employee’s usual place of residence e.g. house, unit, flat, hotel or motel. If the accommodation is not the employee’s usual place of residence, the benefit will not be a housing benefit but instead will be a residual benefit. Housing benefits are valued differently depending on whether the housing is in or outside of Australia.

Housing Fringe Benefit Provided Outside Australia

(62) The taxable value is the market value of the right to use this accommodation reduced by any rent or other consideration paid by the employee.

Housing Fringe Benefit Provided in Australia (and Non-remote)

(63) The taxable value depends on the type of accommodation being provided. If the accommodation is a motel, hotel, hostel or guesthouse the accommodation is valued at the prevailing market valuation for similar accommodation. If the University is in the business of providing similar accommodation to members of the public it is valued at 75% of the amount that the public would pay for the accommodation less any employee contribution toward the cost of the accommodation. Tax Ruling TR2000/10 states it is reasonable for a University to consider students to be a particular class of customers and hence members of the public. Therefore the University's cost of accommodation as provided to its students may be used to determine the taxable value of accommodation provided to the University's employees. For any other type of accommodation e.g. residential house or unit, the value is the market value of the right to occupy the accommodation (e.g. rental value as obtained from a registered real estate agent) multiplied by ATO indexation factors (if required). Accommodation provided in a remote area of Australia is exempt from FBT.

Part E - Living Away From Home Allowance Benefits

(64) The payment of a living away from home allowance (LAFHA) is a living away from home allowance fringe benefit.

(65) For FBT purposes, a LAFHA is an allowance paid to an employee to compensate for additional expenses incurred and any disadvantages suffered because the employee is required to live away from their usual place of residence while performing their employment related duties. The FBT Act only contemplates the payment of a LAFHA by an employer to an employee. Payments made to associates of employees or by associates of employers would not be regarded as LAFHA's and would not warrant concessional tax treatment. Such payments may therefore give rise to unintended income tax consequences for both the University and the recipient. Similarly, if the payment does not satisfy the definition of a LAFHA, it will not fall under the FBT legislation.

When is an Employee Regarded as Living Away from Home?

(66) An employee is regarded as living away from home when an employee moves to take up temporary residence away from what is considered their 'usual place of residence'. The existence of any or a combination of the following factors would provide evidence of living away from home.

- a. The employee is required to live close to a new (but temporary) work location;
- b. Family members accompany the employee;
- c. The employee is absent from their usual place of residence for a limited or finite period of time and has clear intention/expectation of returning back home on cessation of work at the temporary location; or
- d. The use of longer-term accommodation while away (e.g. lease of residential premises or long term hotel accommodation as opposed to short term accommodation at a hotel).
- e. If an employee no longer intends to return to their previous place of residence, this location will cease to be their usual place of residence and they will not be Living Away From Home (LAFH) from the time their intention changes.
- f. Note:
 - i. Employees working in Australia on 457 visas after four years are required to return to their home country
 - ii. Employees applying for permanent residence visas are unlikely to qualify for LAFHA, as they are not contemplating returning

Key Reforms

(67) Effective from 1st October 2012:

(68) To be eligible for the LAFH FBT concessions, for both domestic and overseas employees, the employee must:

- a. Maintain a home in Australia (either owned or rented) and
- b. This home must be available for the employees to use at all times whilst the employee is on the temporary assignment (home cannot be rented out of sub-let)
- c. FBT concessional treatment will be limited to a maximum period of 12 months
- d. Exempt accommodation component remains but the employee is now required to substantiate the actual expense incurred (or provide a declaration of the expense incurred)
- e. Exempt food component: the employee is only required to substantiate the actual expense where a reduction is sought which is greater than the applicable reasonable food component
- f. Temporary, foreign and permanent residents are required to maintain a home in Australia which they are living away from in order to perform work duties. To maintain a home in Australia, all of the following must apply:
 - i. must be available for the employee's immediate use and enjoyment at all times during the period
 - ii. must be a reasonable expectation that the employee will resume living at that place when the period ends
 - iii. must also incur the ongoing cost of maintaining that home, such as mortgage, rental payments, rates, electricity etc.
 - iv. cannot rent out or sub-let the property during the assignment period
 - v. employee or their spouse must have an 'ownership interest' in that home. Owner interest includes a home an employee owns or rents. Adult children living with parents generally do not have an ownership interest in the home.

What Concessions can Apply?

(69) Where eligible for the LAFH concessions, the taxable value of LAFH fringe benefits can be reduced by:

- a. the amount of the employee's actual accommodation expenditure incurred in relation to the LAFH benefit that is substantiated. Documentary evidence must be maintained to substantiate actual accommodation costs. Only the amounts actually incurred will be subject to the FBT concession
- b. the amount incurred by the employee for food/drink less a statutory amount. Food/drink must be substantiated where the expense exceeds reasonable limits. The statutory amounts are now known as 'ordinary weekly food and drink expenses' and will remain at \$42 per adult and \$21 per child.
- c. Employees need to complete LAFH declarations

(70) If you're an employee and you maintain a home in Australia at which you usually reside, the taxable value of the LAFHA paid is less any exempt accommodation component and exempt food component.

(71) Determining the accommodation component:

- a. The accommodation component is the amount of the LAFHA that is paid to compensate the employee for accommodation expenses for themselves and any eligible family members (spouse and/or children) while they are living away from home
- b. The exempt accommodation component is the amount of the accommodation component that equals the accommodation expenses actually incurred by the employee during the period. If a family member incurs these expenses on behalf of the employee, the employee is still incurring the expenses as the family member is considered to be acting as an agent for the employee

c. Amounts that cannot be substantiated will be subject to FBT

(72) Determining the food component:

- a. Where the food allowance is paid for all food, the statutory food amount will always be taxable, regardless of the total allowance amount
- b. In order to provide a fully exempt allowance, it is necessary to ensure that the allowance is for additional food; and the allowance amount does not exceed the reasonable food rate less that statutory food amount
- c. For the 2015 FBT year, refer to TD 2014/9 which provides the Taxation Commissioner's 'reasonable total food amounts' for those employees who qualify as living away from home.

(73) Determining the 2015 food component:

- a. Reasonable total food allowances for the 2015 FBT year as per TD 2014/9
- b. A child is a person aged less than 12 years on the first day of the FBT year

	Reasonable food amount (per week)
One adult	\$241
Two adults	\$362
Three adults	\$483
One adult and one child	\$302
Two adults and one child	\$423
Two adults and two children	\$484
Two adults and three children	\$545
Three adults and one child	\$544
Three adults and two children	\$605
Four adults	\$604

(74) In relation to larger family groupings, the Commissioner accepts the reasonable food and drink amount based on the above figures plus:

- a. \$121 for each additional adult; and
- b. \$61 for each additional child.

LAFHA vs Travel Allowance

Living Away From Home Allowance	Travel Allowance
Paid where employee has taken up temporary residence away from their usual place of residence in order to carry out duties at new, but temporary workplace	Paid because employee is travelling in the course of performing their job
Change of employment location	No change of employment location
Employee generally accompanied by family	Employee not generally accompanied by family
Longer periods, generally more than 21 days but still temporary and infinite	Shorter periods, generally less than 21 days
Change of residence (temporary) in relation to payment of allowance	No change of residence

Part F - Property Benefits

(75) A property fringe benefit arises where an employee or their associate is provided with property by the employer (or an associate of the employer) at a free or discounted rate. The employee must obtain ownership (whether beneficial or legal) of the property. Property is defined very widely and includes any tangible or intangible assets such as goods, real property or legal property. Examples of property benefits include gifts, computers, furniture and certain corporate wardrobes. The taxable value of property fringe benefits depends on whether the property qualifies as "In-house" property or as "external" property.

In-house Property

(76) An in-house property benefit is property that is normally dealt in by the employer as part of the employer's business. It should be noted that in-house fringe benefits are subject to limited exemption. The first \$1000 of the taxable value of in-house fringe benefits provided per employee per year is exempt.

(77) Unavailable for salary sacrifice arrangements.

External Property

(78) This is described as property that is not in-house property. Where the property has been purchased by the University at or about the time it is provided to the employee, the taxable value will be equivalent to the arm's-length purchase price reduced by the amount of any contribution received from the employee.

(79) In all other cases (such as small depreciated assets sold off or given to employees) the taxable value of the property fringe benefit will be equivalent to the market value of the property reduced by the amount of any contribution received from the employee.

(80) The taxable value will be the GST-inclusive value (where applicable) of the property less any contribution made by the employee (being the GST-inclusive amount, where applicable).

Minor Property Benefit Exemption

(81) If the taxable value of the fringe benefit is less than \$300 including GST, the benefit can be ignored for FBT purposes if the benefit being provided to the respective employee is only provided on an "irregular and infrequent basis". This exemption is referred to as the minor property benefit exemption. Other than in restricted circumstances, this exemption does not apply to meal entertainment and other entertainment benefits provided by the University (an example where the exemption would not apply would be a staff Christmas party either on or off the University premises).

Computers and Furniture

(82) University computer equipment and furniture are classified as an "external" property benefit. All second-hand University computer equipment and furniture must be sold to employees at no less than market value. The exception to the above rule is where the taxable value of the benefit is less than \$300 including GST and the "Minor Property Benefit Exemption" applies.

Any department selling computer equipment or furniture at a discount to the market value of greater than \$300 must notify the Financial and Tax Accountant of the following details of the transaction in order to calculate FBT:

- a. A description of each item sold.
- b. The price paid for each item.
- c. The market value of each item.
- d. The full name of the employee purchasing the item.

Example 6 - Sale of Computer Equipment to Staff Member

(83) David Jones, a University employee purchases a computer from the University library. The computer had a market value of \$800, but the employee paid \$200. The taxable value of the benefit is \$600. FBT will be calculated using the Type 1 gross-up rate because the University would have been entitled to claim an input tax credit when the computer was initially purchased. The FBT is calculated as follows: $\$600 \times 2.1463 \times 49\% = \631.01 (fringe benefits tax payable relating to this benefit is charged to the cost centre that the employee works for.)

Corporate Wardrobes

(84) Provision of a corporate wardrobe to staff will be exempt from FBT if the otherwise deductible rule applies. The otherwise deductible rule states if an employee would have been able to obtain an income tax deduction for a benefit had they purchased the benefit themselves, the value of the benefit will be reduced to the extent that the employee would have been entitled to a deduction.

(85) A compulsory uniform is usually deductible for income tax purposes as it has the essential character of an outgoing incurred in gaining or producing assessable income and therefore is considered otherwise deductible for the purposes of FBT.

(86) A non-compulsory uniform is not deductible unless the design is registered with AusIndustry. A deduction will only be available for non-compulsory uniforms purchased after it has been registered. Protective clothing required for an employee's employment is exempt from FBT as it is a work-related item.

Part G - Tax Exempt Body Entertainment Benefits

(87) Entertainment provided to employees (or associates of employees) by the University is generally subject to FBT. It is therefore important to recognise what is and what is not regarded as entertainment for the purpose of FBT.

(88) Entertainment is generally defined as entertainment by way of food, drink or recreation and includes accommodation or travel costs to facilitate such entertainment. Entertainment benefits must be divided into two categories of expenditure as each benefit is calculated differently. The 2 categories are:

- a. Meal Entertainment
- b. Non-meal Entertainment (also known as "Recreation").

(89) As the University uses the 50% concession in calculating meal entertainment benefits, meal entertainment provided to all persons (staff and non-staff) is subject the FBT. This includes employees and their associates as well as students and clients and any other persons.

Meal Entertainment

(90) This arises when the provision of food or drink has the character of entertainment. Food or drink has a character of entertainment when it is:

- a. provided in a social situation (i.e., when employees are enjoying themselves at events like a lunch, dinner, evening drinks or staff function). In comparison, food or drink provided for refreshment or sustenance (e.g. during training sessions or overtime) does not generally have the character of meal entertainment.
- b. a more elaborate meal or drink. If an employer provides morning and afternoon tea and light lunches (e.g. sandwiches, cakes) to staff for work purposes, this is unlikely to have the characteristics of meal entertainment. Whereas the provision of a three-course meal as a working lunch has the character of meal entertainment, as has the provision of alcohol.

(91) Below are some examples of what is meal entertainment:

- a. business lunches;
- b. social functions, including Christmas functions

(92) These are some examples of what is not meal entertainment:

- a. meals on business travel overnight;
- b. morning/afternoon teas on business premises

(93) In order to determine whether the provision of food or drink to a recipient results in meal entertainment, the Commissioner of Taxation ('the Commissioner') has determined that the University should consider:

- a. WHY the food or drink is being provided? Food or drink provided for the purposes of refreshment does not generally have the character of entertainment. Food or drink provided in a social situation where the purpose of the function is for employees to enjoy themselves has the character of entertainment; and
- b. WHAT food or drink is being provided? Finger food, morning and afternoon teas are generally not entertainment. However, the more elaborate the meal, the greater the likelihood that entertainment arises. This would apply for instance where a three course meal is provided during a working lunch; and
- c. WHEN is the food or drink being provided? Generally, food or drink provided during work time, during overtime or while the employee is travelling is less likely to be entertainment. This is because the provision of food or drink under these circumstances is due to a work-related purpose. However, entertainment can still arise in such circumstances where there is for instance a social function during work time; and
- d. WHERE is the food or drink being provided? Food or drink provided on the employer's premises is less likely to be meal entertainment. Food or drink provided off the employer's premises is more likely to be considered entertainment by way of food or drink.

(94) The Commissioner places the greater importance on the first two factors being "WHY" and "WHAT". The table summaries common occurrences where FBT applies in circumstances where food, drink and entertainment is provided.

Consumed by Employees on the University's Business Premises:	Subject to FBT?
- At a social function after normal working hours	Yes
- Morning and afternoon teas and light lunches	No
- Light refreshments on business premises during staff meetings, training sessions, overtime, working lunches and meetings of council members	No
Consumed by employees' associates (e.g. spouse) on the University's business premises:	Subject to FBT?
- At a social function	Yes
- Morning and afternoon teas and light lunches	Yes
Consumed by clients on the University's business premises:	Subject to FBT?
- At a social function after normal working hours	Yes
- Morning and afternoon teas and finger food (sandwiches, etc.)	No
- Council meeting dinners - light meal (one course or finger food) provided as sustenance, no alcohol	No
- Council meeting dinners - elaborate meal provided (two course or more) for employees	Yes
Food and drink consumed off the University's premises:	Subject to FBT?
At a social function or business lunch. Includes all costs in relation to Christmas parties, awards nights, cocktail parties at a restaurant, function centre or similar venue:	

- Employees/associates	Yes
- Clients	Yes
At an overnight planning retreat/conference/seminar:	
- Meals at conference/retreat	No
- Meals with entertainment	Yes
- Travel to/from conference/retreat	No
- Accommodation during conference	No
- Accommodation after conference	Yes
- Game of golf, tennis at conference	Yes
Alcohol:	
- Employees travelling, accompanying meal etc.	No
- Provided at conclusion of seminar	No
Use of corporate credit card:	
- Employees dine together and meal is paid with corporate card – off premises.	Yes

Calculating FBT on Meal Entertainment - The 50/50 Method

(95) The University uses the 50/50 split method to calculate FBT on meal entertainment. That is FBT is payable on 50% of the employer's total meal entertainment expenditure irrespective of whether entertainment is provided to employees (including their associates) or non-employees (e.g. clients, suppliers and contractors).

(96) At the end of each FBT year, Finance will calculate FBT on 50% of the balance in these accounts and charge the tax paid to the corresponding cost centre. The other 50% is regarded as FBT exempt.

Documenting Treatment of Food and Drink Transactions

(97) Any employee incurring expenditure on food and drink that is not classified as meal entertainment must document why FBT is not applicable where it is not clear from looking at the invoice why FBT should not apply. The reasons why FBT should not apply should be written on the invoice or a "Reason for no FBT" form should be completed and attached to the relevant invoice when submitting to accounts payable for payment.

Non-meal Entertainment - Recreation

(98) Recreation includes amusement and sport or leisure time pursuits. Common examples of such recreation include, engaging an entertainer for a social function (e.g. musician), a game of golf or tennis, tickets to a movie, tickets to a theatre or sporting event and sightseeing tours. This includes recreation provided to employees at an overnight conference e.g. sightseeing, golf etc.

(99) The taxable value of non-meal entertainment fringe benefits is so much of the expenditure incurred by the employer in providing the entertainment to the employee (or associate). Please note that this is not eligible for the 50/50 discount.

Part H - Car Parking Benefits

(100) The provision of car parking benefits to University employees is specifically exempt from FBT as per section 58G (2), (3) of the FBTAA.

Part I - Residual Benefits

(101) This category of fringe benefits is effectively the “catch-all” category that seeks to tax fringe benefits provided to employees, which do not come within any other category detailed previously. E.g. discounted school fees, private use of motor vehicles other than a car (e.g. truck), and provision of a rental car hired by the University.

Part J - Debt Waiver and Loan Benefits

(102) Debt waiver and Loan fringe benefits are not provided by the University. If any of these types of benefits are to be provided, advice should be sought from the Financial and Tax Accountant – Finance before proceeding. Loan Benefits are provided where the University incorrectly overpays an employee, and the (deemed) interest charge on the outstanding amount exceeds \$300 for the FBT year.

Part K - Exempt Benefits

(103) A number of benefits are exempt from FBT. The following is a non-exhaustive list of benefits that are exempt from FBT (subject to certain conditions):

- a. Newspapers and periodicals;
- b. Travel costs in attending job interviews;
- c. In-house health care facilities;
- d. Occupational health and counselling – work related medical tests (including pre-employment tests), preventive health care (including certain vaccinations) and optical aids for screen-based equipment but not massages, work-related counselling (including services to former employees who were made redundant) and migrant language training;
- e. Emergency assistance;
- f. Compassionate travel;
- g. Long service awards – awards for long service of at least 15 years, provided the benefit is no more than \$1,000 and \$100 for each additional year;
- h. Safety awards – up to the value of \$200 (GST inclusive) per employee solely in recognition of the special achievements of the employee in occupational health and safety;
- i. Provision of certain work-related items (mobile phone or a car phone, a briefcase, a calculator, a tool of trade, an item of computer software for use in the employee’s employment, an electronic diary or similar item and a notebook computer, a laptop computer or a similar portable computer). Please note a benefit arising in relation to a mobile phone or a car phone will attract the exemption only if the phone is primarily for use in the employee’s employment. The exemption in relation to portable computers is limited to the purchase or reimbursement of one computer per employee per year;
- j. Membership fees and subscription (trade subscription and professional journal, an entitlement to use a corporate credit card and an entitlement to use an airport lounge membership);
- k. Taxi-travel – taxi travel provided to employees is an exempt benefit where the taxi begins or ends at an employee’s place of work so long as it constitutes a single trip – taxi travel provided to sick employees is also exempt irrespective of whether the employee is sent to a doctor, relative or their home;
- l. Minor benefits – these are benefits of small value that are infrequently or irregularly provided and/are difficult to record or value. Examples include Christmas gifts of modest value and taxi fares for employees unexpectedly required to work late. In addition, the benefit must be regarded as being ‘minor’, and is treated as such of its value is less than \$300 including GST.

Part L - Effective Salary Packaging/Employee Contributions/Travel Diary

Salary Packaging

What is a Salary Sacrifice Arrangement?

(104) A salary sacrifice arrangement is an arrangement between the University and an employee, whereby the employee agrees to forgo part of their future entitlement to salary or wages in return for the University providing them with benefits of a similar cost.

What Types of Benefits can be Included in a Salary Sacrifice Arrangement?

(105) The types of benefits that can be provided as salary sacrifice arrangements include employer superannuation, fringe benefits and exempt benefits. It is important to note that superannuation contributions made by the University under a salary sacrifice arrangement to a complying superannuation fund for the benefit of an employee are not fringe benefits. However, superannuation contributions made under a salary sacrifice arrangement for an associate of an employee are subject to FBT.

Employee Contributions

(106) An employee can make recipients contributions to reduce the taxable value of most fringe benefits. The value of the contribution must be paid out of post-tax income and the contribution for FBT purposes will be the GST-inclusive value.

(107) Where the recipient's contribution is made in cash, the contribution will be deemed consideration for the provision of the benefit and a taxable supply for GST purposes. The University will be required to remit 1/11th of this contribution as GST to the Australian Taxation Office ('ATO').

(108) Where the contribution is in the form of the employee incurring non-reimbursed expenses in respect of a benefit. E.g. Non-reimbursed fuel for a car, the contribution is considered to be a supply of those items and services by the third party and therefore the University is not required to remit 1/11th of this contribution as GST. Notwithstanding that 1/11th of the contribution is remitted to the ATO, the whole amount is treated contribution to the provision of the benefit.

Travel Diary

(109) Where the University reimburses or pays for an employee's business related travel, a travel diary should be maintained by each relevant employee where:

- a. overseas travel for 6 or more consecutive nights; and where
- b. domestic travel for 6 or more consecutive nights and the travel are not exclusive for the purpose of performing the employment duties.

(110) The travel diary should outline:

- a. the date, day and approximate time the business activity commenced;
- b. how long the business activity lasted;
- c. where the business activity took place; and
- d. the nature of the business activity.

(111) Entries should be made during the business activity or as soon as practically possible afterwards. Organisational

units are responsible for ensuring their employees maintain travel diaries. These are to be filed in a safe and secure place for a period of 5 years. The Finance Department will conduct regular checks to ensure compliance with this requirement.

(112) Travel diaries must be maintained even where the University has other means to verify the nature and purpose of university travel.

Part M - Compliance

(113) Corporate Finance will conduct periodic reviews of FBT transactions to ensure compliance with this Policy. The results of the review will be forwarded to the Associate Director, Corporate and Reporting for appropriate follow up action.

Section 5 - Definitions

(114) For the purpose of this Policy and Procedure:

- a. Benefit: A benefit includes any right, privilege, service or facility.
- b. Employee: Includes current, future or former employees. An employee is generally someone who receives, or is entitled to receive, salary and wages in return for work or services provided, or for work under a contract that is wholly or principally for the person's labour. For FBT, 'employees' includes company directors, office holders, common law employees and recipients of compensation payments.
- c. Employee Contribution: This is also known as a recipient's payment or recipient's rent. An employee or recipient's contribution generally refers to the amount of consideration paid to an employer or provider of the benefit by an employee or recipient in respect of the fringe benefit. It is reduced by the amount of any reimbursement paid to the employee or recipient in respect of that consideration. The employee or recipient's contribution must be made from the employee's after-tax income.
- d. Entity: an individual, a body corporate, a corporation, a partnership, any other unincorporated association or body of persons, a trust or a superannuation fund and any kind of legal person.
- e. Excluded Fringe Benefits: These are benefits that are excluded from the reportable fringe benefits arrangements. For example meal entertainment and car parking benefits.
- f. Exempt Benefits: Exempt benefits are benefits that are not considered to be fringe benefits and therefore not subject to FBT.
- g. FBT: Fringe Benefits Tax (FBT) is a tax payable by the employer on the value of certain benefits, known as "fringe benefits", that have been provided to their employees or to associates of those employees in respect of their employment. FBT is calculated at 49.0% of the grossed up taxable value of a fringe benefit.
- h. FBT year: 1 April to 31 March
- i. Fringe Benefit: A fringe benefit is a benefit provided in respect of employment. This effectively means a benefit provided to somebody because they are an employee. Fringe benefits include benefits provided to an associate of the employee. The 'employee' may even be a former or future employee.
- j. Grossed-up Taxable Value: this is the taxable fringe benefit amount multiplied by the relevant gross-up rate. If the taxable value of fringe benefits is GST-creditable benefits then we use the gross-up rate of 2.1463 and if they are not GST-creditable benefits we use the gross-up rate of 1.9608. This value is multiplied by the FBT tax rate to calculate the tax payable. These rates apply from 1 April 2015.
- k. GST: Goods and Services Tax. The GST is a broad-based consumption tax of 10% per cent on most supplies of goods and services consumed in Australia.
- l. GST Input Tax Credits: This is the entitlement to claim GST included in the purchase price of many goods and services used in the business.

- m. Market Value: The arm's length price payable by the general public in a normal commercial transaction
- n. Meal Entertainment: The provision of meal entertainment means the provision of:
 - i. entertainment by way of food or drink; and
 - ii. accommodation or travel in connection with, or to facilitate the provision, of such entertainment; and
 - iii. the payment or reimbursement of expenses incurred in obtaining something covered by the above.
- o. Otherwise Deductible Rule: Broadly, this means that the taxable value of a benefit may be reduced by the amount which an employee would have been entitled to claim as a once-off income tax deduction in their personal tax return if the benefit was not paid for, reimbursed or provided, by the employer.
- p. Place of Residence: It means a place where a person lives or has sleeping accommodation. It does not matter whether it is on a permanent or temporary basis. It also does not matter whether the person shares the place with someone else.
- q. Reportable Fringe Benefits Amount: where an employee receives certain fringe benefits and the total exceeds \$2,000 for the FBT year, the gross-up amount has to be shown on the employee's payment summary. This is the reportable fringe benefits amount (RFBA).
- r. Taxable Value: This is the value of a fringe benefit before it is grossed up. The manner of determining the taxable value of a fringe benefit is prescribed in the FBT legislation. Different valuation rules apply to different classes of benefits.
- s. Type 1 Gross-up Rate: The type 1 gross-up rate is used where Latrobe University (or other provider of the benefit) is entitled to claim an input tax credit on the benefit provided. The rate is 2.1463 from 1 April 2015.
- t. Type 2 Gross-up Rate: The type 2 gross-up rate is used where Latrobe University (or other provider of the benefit) is not entitled to claim an input tax credit on the benefit provided. The rate is 1.9608 from 1 April 2015.
- u. Usual Place of Residence: An employee is regarded as living away from their usual place of residence if they are required to do so in order to perform their employment-related duties and could have continued to live at the former place if they did not have to work temporarily in a different locality.

Status and Details

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