



NATIONAL PUBLIC SECTOR FLEET MANAGERS CONFERENCE 2013

Fringe benefits tax & other tax policy

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OVERVIEW

- Fringe benefits tax and cars
 - FBT in general
 - The announced changes on 16 July 2013
 - Impact of the Federal Election
 - Any other impending changes to FBT?
 - Exemptions & reductions still available
- Other implications of the Federal Election

FBT IN GENERAL

How is FBT calculated?

- Is there a car fringe benefit?
 - There must be a “car”
 - Provided to an employee
 - By the employer
 - The car must be available for private use
- How do you calculate the value of the benefit?
 - Statutory formula method
 - Operating cost method

FBT payable = taxable value, grossed up, multiplied by the FBT rate (46.5%)

WHAT THE LABOUR GOVERNMENT ANNOUNCED...

“A fairer treatment for FBT on Cars”

“The Government will make the tax system fairer by ensuring the fringe benefits tax exemption for cars is targeted to actual business use rather than including personal use”

How?

By removing the “statutory formula” method to calculate the FBT on an employer provided car or a salary sacrificed car

REMOVAL OF THE STATUTORY FORMULA

Statutory formula method

- The statutory formula method contains an implied business use
- To calculate the FBT on a car using this method - it can be as simply as:

value of the car x statutory fraction

Example:

\$30,000 x 20%

taxable value = \$6,000

FBT payable = \$5,760

REMOVAL OF THE STATUTORY FORMULA

Operating cost method

- The operating cost method seems quite simple
- The value of the benefit is calculated:
$$\text{private use \%} \times \text{costs of the car}$$
- To determine a private use percentage a log book must be kept
- To determine the costs of the car receipts/documentation must be kept and for owned cars there are further calculation to be done

REMOVAL OF THE STATUTORY FORMULA

Implications

- For those who salary sacrifice a car, low business percentage, high FBT cost
- Huge increase in workload for those employers who run a large fleet and use statutory method for ease
 - Notify/educate all staff to keep a log book
 - Ensure those log books are accurate
 - Collate all log book information
 - Maintain information on all costs associated with cars provided
- Policy issues with the announcement

WHAT DOES THE ELECTION RESULT MEAN?

What does the current Government propose?

- The Coalition stated that it would not implement the announced changes
- “business as usual” in relation to cars
- What about cars purchased between 17 July & 7 September
- There may still be further changes to FBT

HOW CAN FBT ON CARS BE REDUCED?

Strategies for reduced FBT

- Provision of exempt cars e.g. Dual cabs
- Encourage log books where appropriate
- Ensure the calculation takes into account where cars are not available for private use
- Ensure employee contributions are captured
- Don't provide cars for private use

FUTURE FOR FBT & CARS

Changes on the horizon?

- Environmental factors
- Dual cab exemption?
 - Exemption and enforcement
- ATO current project with State Governments
- The statutory fraction could be increased (currently 20%)

OTHER TAX POLICY CHANGES

- Repeal of the Minerals Resource Rent Tax (MRRT)
- Repeal of the Carbon Tax
- Reduction in the corporate tax rate by 1.5% from 1 July 2015
- Imposition of a 1.5% levy on companies with taxable income > \$5M
- Discontinuing the “instant asset write off”
- Removing accelerated depreciation for motor vehicles
- Discontinuing the loss carry back rules for companies
- Enacting a “exploration development incentive”
- Superannuation Guarantee changes (changing the phase-in increase)
- R&D incentive changes

ANY QUESTIONS?

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