

**UNSW Accounting Procedure**

<b>Linked UNSW Policy</b>	Provisions and Employee Benefits; Taxes
<b>Responsible Officer</b>	Director, Corporate Finance and Advisory Services and Shared Services
<b>Contact Officer</b>	Group Tax Manager, Corporate Finance and Advisory Services
<b>Review</b>	Every year
<b>Effective Date</b>	31 December 2013

**1. Objective**

This procedure outlines the process to account for Fringe Benefit Tax (FBT) expenses determined in accordance with AIFRS, at a departmental level (i.e. Faculties, Schools & Divisions) in NS Financials.

**2. Basis of Accrual**

Fringe benefit tax (FBT) is a tax payable by employers in relation to the provision of certain fringe benefits (i.e. payment in a form other than salary or wages) to employees or associates of employees. The tax is assessed on an annual basis and, the FBT year commences on 1 April and concludes on 31 March of the subsequent year.

The fringe benefit may be provided by the University to its employees, or their associates including spouses, relatives and partners. A benefit is defined as a benefit provided in 'respect to employment' and includes any right, privilege, service or facility.

The tax payment is made in quarterly installments to the ATO, based on the tax assessment of the prior year. The final assessment is completed only after the FBT year end (March) when complete information required for assessing the FBT payable for that year is available. Consequently, the FBT expenses for the year are determined based on estimates instead of the actual taxable value of benefits provided during the year.

The major categories of fringe benefits applicable to the University are as follows:

- Car
- Loan
- Expense payment
- Housing
- Living away from home allowance
- Property
- Entertainment
- Residual benefits such as Meals, Medical Insurance

**3. Accounting procedure**
**3.1 NS Financials: Expenses recorded under relevant category**

Some of the expenses incurred by business units (i.e. Faculties, schools and Divisions), which are subject to FBT are coded to specific expense accounts earmarked for the purpose of generating the tax payable accruals.

The system generates accruals at the relevant tax rates for expenses that are coded to these FBT applicable accounts as detailed below:

<b>Expense accounts (i.e. for expenses that are subject to FBT)</b>	<b>FBT oncost accounts (System generated accruals)</b>
6613- Staff Exp - M'ship Fees - FBT	6664- FBT Membership Fees
6624- Staff Exp - Education	6692- FBT on HECS
6626- Staff Exp - Childcare Support	6682- FBT Education Costs
6457- Entertainment FBT Payable	6662- Fringe Benefits Tax Entertainment
6501- Consumables Uniforms FBT Payable	6663- FBT Uniforms
6619- Staff Gifts & Awards >\$300	6687- Fringe Benefit Tax General
6630- Other Staff Exp Subject to FBT	6687- Fringe Benefit Tax General
6459- Entertainment Recreation Staff	6687- Fringe Benefit Tax General

The FBT oncosts generated in the above accounts are charged to the relevant business units through various oncost expense accounts, while the FBT oncost payable (provision) account 8635 is adjusted at a 'Central' level.

### **3.2 Corporate Finance and Advisory Services (CFAS): Monthly accrual**

The quarterly installments as determined by the ATO (based on previous year's tax assessed as payable) are accrued on a monthly basis. The variance between the installment accrual and the FBT oncost generated for the month (through accounts listed in 3.1), is accounted for at a 'Central' level by Corporate Finance and Advisory Services through a manual journal. With the exception of FBT on Kensington College accommodation and meals, these adjustments are not charged to the business units on a monthly basis.

### **3.3 Corporate Finance and Advisory Services (CFAS): Monthly review & Training**

Besides conducting training for business units, CFAS also undertakes regular review of the General Ledger to identify any fringe benefit expenses that have been recorded under the wrong accounts codes..

### **3.4 Corporate Finance and Advisory Services (CFAS): Monthly Reconciliation**

The provision balance is checked for accuracy based on the FBT schedule, driven by prior year assessment and installments and current year's fringe benefit expenses (as charged to the expense accounts in 3.1). Any material discrepancies are investigated to determine if an additional provision is required. The FBT provision account is reconciled at a 'Central' level.

## **4. Operational aspects**

### **4.1 Treatment of existing FBT provision balances at 'Central' level**

The existing balance in the FBT provision accounts will not be pushed down to the business units.

### **4.2 Charges to Business Units (i.e. Faculties, Schools & Divisions)**

The relevant business units will be charged with FBT oncost on expenses captured under the relevant accounts listed in 3.1. Further, FBT on expenses incurred on accommodation and meals relevant to the Kensington College are charged to the business unit.

For other expenses not captured through the specific expense accounts (such as cars, living away from home, medical insurance, charged to non FBT applicable accounts, etc.), the FBT oncost is calculated based on tax paid for the previous year, as actual data is not available until after the FBT year end.

Moreover, historically the amount of such expense is not material enough to warrant adjustments to the business units on a monthly basis, and accordingly, such accruals are charged to 'Central'.

Following the completion of the FBT year, and the finalization of the FBT Return, the FBT expense is reconciled at the Business Unit level. Where Business Units have over accrued for FBT, a credit is provided. If the actual FBT expense is higher than already charged to the Business unit, an additional FBT charge is allocated. This ensures the Business Unit is charged for their actual FBT expense incurred.