



FRINGE BENEFITS TAX

GUIDELINES

UNSW

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1 Purpose

The purpose of these FBT Guidelines are to establish documented policies and procedures in order to provide guidance to managers and staff on the processing and recording of FBT transactions. This helps to assist staff in the administration of the FBT liabilities for UNSW. This FBT manual aims to provide staff with a better understanding of FBT, in order for UNSW to comply with the legislative obligations and better manage its FBT risks.

2 Scope

Fringe benefits tax applies to employees and their associates. For FBT purposes the definition of 'employee' includes current, former and future employees. It does not extend to a deceased person. FBT does not apply to students or clients.

This Guideline is intended for internal use by UNSW employees. As UNSW is an educational institution and a tax-exempt body certain concessions and exemptions apply that may not be available to other employers.

3 What is Fringe Benefits Tax (FBT)?

Fringe benefits tax (FBT) is a tax paid on certain benefits employers provide to their employees or the employees' associates (typically family members) in place of, or in addition to, salary and wages in respect of their employment.

A fringe benefit may be provided by an associate of the employer or under an arrangement between a third party and the employer.

***** There must be a "benefit" to the employee, and it must be "in respect of their employment" for FBT to apply. E.g. where a benefit is provided to a past student, who is also an employee, FBT would not apply as the employee has received the benefit as a past student, and not in respect of their employment.***

4 When is the FBT Year?

The FBT year is for the period from 1 April to 31 March each year.

5 Types of Fringe Benefits

5.1 Those Relevant to UNSW

- Car – refer Section 6 for further details
- Expense payment – refer Section 8 for further details
- Housing – refer Section 9 for further details
- Living Away From Home Allowance (LAFHA) – refer Section 10 for further details
- Tax-exempt body entertainment – refer Section 7 for further details
- Property – refer Section 8 for further details
- Residual – refer Section 8 for further details
- Loan – allow employee time to repay a loan/debt and charge no interest or lower than statutory interest rate
- Debt waiver – where forgive a debt owed by an employee.

5.2 Other Types Not Currently Relevant to UNSW

- Car parking – currently exempt as Educational institution
- Airline transport – not applicable
- Board –not applicable. Where entitlement under industrial award for meals and also entitled to accommodation
- Meal Entertainment – Tax-exempt body entertainment applies

6 Car Fringe Benefits (Motor Vehicles)

A car fringe benefit arises where UNSW makes a car available for the private use of an employee. This includes a car that is owned or leased.

6.1 What Vehicles are Included?

The following types of vehicles (including four-wheel drive vehicles) are cars:

- motor cars, station wagons, panel vans and utilities (excluding panel vans and utilities designed to carry a load of one tonne or more)
- all other goods-carrying vehicles designed to carry less than one tonne, and
- all other passenger-carrying vehicles designed to carry fewer than nine occupants.

6.2 Declarations

When a car is made available to an employee for their private use, the employee will be required to provide odometer readings for the vehicle. An odometer reading should be provided at the time the car is first made available, at the end of each FBT year and at the end of the lease, on disposal or when the vehicle is no longer available to them for private use. Odometer readings may also be requested at other times, e.g. at a fuel fill. The employee should provide these readings when requested by UNSW staff, the Fleet Manager, or others acting on their behalf.

Employees should also record and maintain supporting documentation of any periods the car is unavailable for their private use and any personal contributions they have made in maintaining the vehicle. These should be provided to UNSW staff or the Fleet Manager as requested.

6.3 What is Considered Available for Private Use

A car is available for private use by an employee on any day that it is actually used for private purposes by the employee or associate, or the car is available for the private use of the employee or associate.

A car is treated as being available for private use by an employee on any day that the car is not at UNSW's premises, and the employee is allowed to use it for private purposes, or the car is garaged at the employee's home.

A car that is garaged at an employee's home is treated as being available for the private use of the employee regardless of whether they have permission to use it for private purposes. Where the place of employment and residence are the same, the car is taken to be available for the private use of the employee.

As a general rule, travel to and from work is private use of a vehicle.

6.4 When is a Car Not Available for Private Use

Where a car is in a workshop for extensive repairs, for example, following a motor vehicle accident, it is not available for private use of the employee. However, a car is considered to be available for private use where it is in the workshop for routine servicing or maintenance. Documentary evidence must be provided to support a period the car was unavailable.

If an employee will be away for an extensive period and the car is returned to UNSW premises and custody and control of the car is removed from the employee, the car can be considered as unavailable for the private use of the employee. Employees who wish to ensure any such arrangements are tax compliant should contact the Fleet Manager in FM.

**** A car parked at the employee's home while away overseas is still considered available for private use.**

6.5 What is Novated Leasing?

Further details on Novated Leasing can be found on the FM website.
<http://www.facilities.unsw.edu.au/staff-contractors/motor-vehicles>

7 Entertainment

7.1 What does Entertainment Include?

UNSW may provide food and/or drink to their employees, ranging from morning teas to a Christmas party. For each situation it needs to be determined whether a fringe benefit has been provided. Recreational entertainment may also be provided to employees. You first need to consider whether or not the benefit is entertainment. The provision of entertainment means the provision of:

- entertainment by way of food, drink or recreation, or
- accommodation or travel in connection with, or to facilitate the provision of, such entertainment.

To determine when food and drink provided to a person results in entertainment, you need to examine all the circumstances surrounding the provision of the food or drink, including:

- a) **Why** is the food or drink being provided? Is it refreshments or for a social function
- b) **What** type of food or drink is being provided? Is it morning tea and light meals or more elaborate.
- c) **When** is the food or drink being provided? Is it during work, overtime, when travelling or to entertain
- d) **Where** is the food or drink provided? Is it on UNSW campus, or at restaurant, function room, café, etc

Entertainment Checklist

The following would generally be considered Entertainment and subject to FBT:

- Social functions
- Christmas parties
- Business lunches
- Farewell function
- Reward and recognition function
- Anniversary dinners
- Golf days
- Sporting club memberships
- Fundraising functions
- Recreation
- Travel for private purposes

7.2 Non Entertainment

The following would generally not be considered entertainment where in respect of the employee.

- **Morning and Afternoon Tea, Light Meals – for employees.** This is to enable the employee to complete the working day in comfort (also called ‘sustenance’). This includes tea, coffee, fruit drinks, cakes and biscuits, but does not include alcohol. Light meals include sandwiches and other hand food, salads and orange juice and light take away food ordered in while working on a project. If provided to associates of employees it is considered to be a property fringe benefit. Where alcohol has been provided it is considered to have a social context and therefore entertainment.
- **Seminars –** Light breakfast prior to seminar, meal or refreshments during a training session, conference, convention, lecture, meeting, question and answer session or planning day to discuss policy issues. Light refreshments including moderate alcohol immediately after a CPD session. Food and drink if reasonably incidental to attending the seminar that goes for at least 4 hours. Seminar does not include where main purpose is to promote or advertise the business.
- **Travelling on Business –** Food and drink provided where employee is undertaking work-related travel. If accompanied by a spouse then FBT would apply to the spouse meal and any non travelling employees, who dine with the travelling employee.

7.3 Recreational Entertainment

Recreation includes amusement, sport and similar leisure-time pursuits and includes recreation and amusement in vehicles, vessels or aircraft (for example, joy flights, sightseeing tours, harbour cruises, golf days, football tickets, leasing a corporate box, movie tickets).

Paying for employees and associates to attend recreational activities is recreational entertainment. The cost of the recreational component, e.g. tickets, must be able to be allocated to each employee.

For expenses in relation to UNSW Sport and Recreation see Section 8.2.13 below.

**** The cost of hiring or leasing entertainment facilities, e.g. corporate box, vessels, exclusive use of golf course, exclusive use of theatre, etc do not need to be identified by employee, although FBT is still payable on the cost.**

7.4 Minor Entertainment Benefits for Tax-Exempt Body

As UNSW is a tax-exempt body (i.e. does not pay income tax), the minor benefits exemption relating to entertainment will only be available as follows:

- the provision of the entertainment is incidental to the provision of entertainment to outsiders, and does not consist of a meal other than light refreshments, or
- a function is held on UNSW premises solely as a means of recognising the special achievements of an employee in a matter relating to the employment of the employee. Where the benefit is provided in this circumstance, the minor benefits exemption only applies to the employee in question and his or her associates.

Exempt benefits under this minor benefits exemption will include graduation, orientation and similar ceremonies.

**** To qualify for the minor benefits exemption for a tax-exempt body, the entertainment must have a GST inclusive value of less than \$300 per employee, (including the benefits to employee's associates) and be provided to the employee on an infrequent and irregular basis. Consideration also needs to be made if it is unreasonable to treat the minor benefit as a fringe benefit. Factors to consider include how often identical or similar benefits are provided, the value, associated benefits, difficulty in determining a value and the circumstances it was provided.**

8 Expense, Property or Residual Benefits

Where UNSW reimburses an employee or pays a third party for an expense incurred by an employee an expense payment benefit may arise. Where they provide an employee with free or discounted property a property benefit may arise. A residual benefit includes a benefit provided to an employee which does not specifically fit any of the other categories of fringe benefits.

**** Most of these benefits can be identified by their cost being coded to an account which is analysed for FBT purposes. Some benefits are exempted from FBT by legislation.**

8.1 Which Expense, Property or Residual Benefits are FBTable?

As a general rule expenses which are of a private nature will be subject to FBT. The following provides some examples, but is not an exhaustive list.

8.1.1 Child Care Other Than on UNSW Premises

Where UNSW reimburses or makes a payment for child care services other than those on its premises, these benefits will be subject to FBT.
Payments made under the VCs Childcare Support Fund will be subject to FBT.

8.1.2 Gifts and Awards

Flowers, gifts, gift vouchers and awards provided to employees will be subject to FBT. Examples would include retirement gifts, farewell gifts, the birth of a child, awards, wedding etc. See below Section 8.2 for exemption for LSL awards, safety awards and minor benefits.

8.1.3 Health Insurance

The reimbursement or payment of employee or associates private health insurance premiums will be subject to FBT.

8.1.4 HELP (Formerly HECS)

The reimbursement or payment of employee HELP charges will be subject to FBT.

8.1.5 Private Clubs Memberships

Membership fees to private clubs or associations will be subject to FBT e.g. yacht clubs, golf clubs.

8.1.6 Spouse Travel

Travel costs for an employee's associates, other than travel relating to relocation, will be subject to FBT. This includes SSP travel.

8.2 Which Expense, Property or Residual benefits can be reduced or exempted from FBT

8.2.1 Car Parking

Car parking fringe benefits and car parking expense payment benefits are exempted for UNSW as it is a public educational institution. This applies both to the use of a car parking space and the reimbursement of car parking expenses.

8.2.2 Child Care

Where child minding facilities are provided on UNSW premises for the benefit of employees, the benefit is an exempt benefit. This applies to child care services operated by Tigger's Place, Kanga's House, House at Pooh Corner and Owl's House.

Payment or reimbursement of child care expenses, where the child care was not provided on UNSW premises is a fringe benefit.

8.2.3 Education Expenses - Self

Payment of self-education expenses is a fringe benefit. However, if the self-education expenses are work-related, the taxable value can be reduced by the otherwise deductible rule (refer Section 12 below). The reduction under the otherwise deductible rules applies to the actual self-education expense incurred, not for a repayment of an education debt, as a result of a deferral of fees.

A FBT declaration is required to be completed by the employee for this benefit.

[Otherwise Deductible Declaration - FBT 21](#)

8.2.4 Home Phones and Home Internet Charges

Home phones and home internet charges paid for or reimbursed by UNSW will be subject to FBT. However, if all or part of the benefit is work related the employee can complete the otherwise deductible declaration, showing the business use percentage. FBT would be payable on the remaining private portion, but may be exempted as a minor benefit if it meets the criteria for a minor benefit exemption.

[Otherwise Deductible Declaration - FBT 21](#)

For identical benefits that are the same in all respects except for any differences that are minimal or insignificant, relate to the value of the benefit, or relate to the deductible proportion of the benefit, a recurring declaration can be provided. A recurring fringe benefit declaration can be used for a period of up to five years, provided the deductible proportion of the benefit does not change by more than 10 percentage points. A new recurring declaration should be completed where the deductible percentage changes by more than 10 percentage points. The recurring declaration can be used for home internet charges.

Home internet paid by Expense Reimbursement, or Accounts Payable –

[Expense Payment Recurring Declaration - FBT 12](#)

Home internet paid by Corporate Credit Card –

[Residual Recurring Declaration – FBT 14](#)

8.2.5 Long service awards

Long service awards granted in recognition of 15 years or more service are exempt if within a specified maximum amount. The specified maximum value is \$1,000 for 15 years service plus \$100 for each additional year. E.g., the maximum value for a first award recognising 20 years service is \$1,500 (\$1000 + 5*\$100).

If the employee has received a previous long service award the exemption for the second award is limited to the amount in recognition of the additional award, (e.g. one award at 15 years and another at 20 years, the 20 year award is limited to \$500 (i.e. 5 * \$100).

**** Where the value of an award exceeds the relevant maximum value, no part of the award is exempt.**

8.2.6 *Membership Fees*

Fringe benefits are exempt if they are:

- professional membership fee
- a subscription to a trade or professional journal, or
- an entitlement to use an airport lounge membership.

Membership fees to private clubs or associations will be subject to FBT e.g. yacht clubs, golf clubs.

**** The membership or subscription must be for the employee in respect of the employee's employment, i.e. it could not be for an employee's associate who is not an employee.**

8.2.7 *Migrant Language Training*

An English language course attended by a non-English speaking person who is or intends to be, an immigrant to Australia is exempt from FBT. The exemption also extends to associates of the employee.

8.2.8 *Minor Benefits (Other than for Minor entertainment as per Section 7.4)*

A minor benefit is a benefit which has a GST inclusive taxable value of less than \$300. Certain factors, including any similar or associated benefits must be considered when applying the minor benefit exemption.

The five criteria to consider when deciding if it would be unreasonable to treat the minor benefit as a fringe benefit are:

- the **infrequency and irregularity** with which associated benefits, i.e. those identical or similar or in connection with the minor benefit. The more frequent and regular, the less likely it can be a minor benefit.
- the **amount** of the taxable values of the minor benefit and identical or similar benefits. The greater the total value of the minor benefit and identical or similar benefits, the less likely it will be a minor benefit,
- the **likely total** of the taxable values of **other associated benefits**, i.e., those provided in connection with the minor benefit. E.g. where meal, night's accommodation and taxi travel, the total values must be considered. The greater the total value of other associated benefits, the less likely it can be a minor benefit.
- the **practical difficulty** in determining what would be the taxable value of the minor benefit and any associated benefits. This would include consideration of the difficulty in keeping the necessary records in relation to the benefits, and
- the **circumstances** in which the minor benefit and any associated benefits were provided. Was it as a result of an unexpected event? Was it a reward for services?

**** Where UNSW provides an employee with separate benefits that are in connection with each other, for example, a meal, a night's accommodation**

and taxi travel, UNSW needs to consider any similar or associated benefits provided to the employee to see if the minor benefit exemption can be applied

8.2.9 Relocation

Certain relocation costs are exempt from FBT. See Section 11 below for further explanation on expenses relating to relocation.

8.2.10 Safety awards

An award genuinely related to occupational health or occupational safety achievements that is granted to an employee is exempt from tax if its value does not exceed \$200. Where UNSW grants more than one award to an employee during an FBT year, each award is exempt provided the aggregate value of the awards does not exceed \$200.

**** Where the \$200 limit is exceeded, no part of the award (or awards) is exempt. However, the minor benefit exemption may be able to be applied where the benefit is less than \$300, after consideration of all the factors for a minor benefit**

8.2.11 Taxi Travel

An employee travelling by taxi is exempt from FBT in the following instances:

- a single taxi trip that begins or ends at UNSW.
- taxi trips resulting from the employee being sick or injured where the journey (or part of the journey) is between UNSW and the employee's place of residence (or any other place it is necessary or appropriate for the employee to attend as a result of the sickness or injury, e.g. hospital, medical centre, doctor's surgery or physiotherapist's clinic).

Taxi travel in connection with or to facilitate entertainment is subject to FBT. E.g. taxi trip home after social function.

8.2.12 Uniforms

Uniforms provided to employees by UNSW may be subject to FBT. Where a compulsory uniform is prescribed by UNSW in a policy which makes it a requirement for a particular class of employees to wear that uniform while at work, and identifies UNSW as the employer, then the uniform may be exempted from FBT. The policy should stipulate the colour, style and type of clothing, and the wearing of the uniform should be strictly and consistently enforced. If UNSW retains ownership of the uniforms, FBT will not apply.

The above does not apply to items of protective and safety clothing. Refer Section 8.2.14 for exemptions for work related items.

8.2.13 UNSW Sport and Recreation

As the UNSW Sport and Recreation Centre is located on UNSW business premises, FBT does not apply to benefits to employees for their use of these facilities.

Reimbursement or payment for costs relating to membership or use of Gym facilities other than those on UNSW premises will be subject to FBT.

8.2.14 Work Related Items

An FBT exemption applies for the following work-related items:

- a portable electronic device – i.e. easily portable and designed for use away from an office, is small and light, can operate without an external power supply and is designed as a complete unit. E.g. mobile phone, calculator, personal digital assistant, laptop computer, portable printer and portable GPS
- an item of computer software
- an item of protective clothing – overalls, aprons, goggles, hard hats, safety boots, lab coats
- a briefcase, and
- a tool of trade.

The exemption is limited to:

- items **primarily** for use in the employee's employment, and
- **one** item per FBT year for items that have a substantially identical function, unless the item is a replacement item.

Primarily for Use in Employee's Employment is determined by reference to the intended or anticipated use at the time the benefit is provided. A replacement item is one where the previous item was lost or destroyed or needed replacing due to developments in technology.

Mobile Phones – At the time a mobile phone is provided it should be established the mobile phone is primarily for work use, for the exemption to apply. The cost of calls, rental charges and accessories, i.e. charger, carry pouch and additional battery, can also be exempted provided the ongoing actual 'work use' test is satisfied at the time these are paid or reimbursed. Any personal use should be limited to incidental use only. Such factors as UNSW ICT policy statements, listing of mobile number in internal phone directory, on business cards, and emails would aid in demonstrating the mobile is primarily for use in the employee's employment.

Laptops – The exemption for a laptop computer is only available where the laptop is primarily for use in the employee's employment. The intended use is determined at the time the laptop is provided. This applies regardless of whether it is provided as part of a salary sacrifice arrangement or not. Such factors as UNSW ICT policy statements, job description, duty statement or employment contract could aid in demonstrating the laptop is primarily for use in the employee's employment.

Protective Clothing – This includes clothing intended to protect the wearer from death, disease, injury, damage to clothing, etc. Where items have a substantially identical function the exemption is limited to one item per FBT year, unless it is a replacement.

***** If an employee is reimbursed over a period spanning two FBT years for the cost of a work related item, then an item of substantially identical function cannot be provided in the second FBT year without incurring FBT.***

9 Housing and Meals

Housing and meals provided to employees by UNSW are subject to FBT. For example, this may occur where UNSW hires tutors and provides free or discounted accommodation and meals to them. Even where the tutor does not receive salary or wages, the housing and meals are considered to be a reward for services and therefore subject to FBT.

The right to use the unit of accommodation is a Housing Fringe Benefit. The meals are a residual fringe benefit. Housing Benefits apply for the use of the Kensington Colleges.

10 LAFHA

10.1 What is LAFHA?

A living-away-from-home allowance (LAFHA) is an allowance UNSW pays to an employee to compensate for additional expenses incurred and any disadvantages suffered because their duties of employment require them to live away from their normal residence.

The term 'additional expenses' does not include expenses the employee would be entitled to claim as an income tax deduction.

The LAFHA is administered by Human Resources and generally paid through the payroll system.

10.2 Accommodation

The accommodation component is so much of the allowance that is paid to compensate the employee for accommodation expenses for themselves and any eligible family members while living away from home. The exempt accommodation component is the amount of the accommodation component that equals the amount actually incurred by the employee during the period. This amount must be reasonable and be fully substantiated.. This written evidence could include a lease agreement, plus evidence the amount has been spent, e.g. credit card statement, bank statement or rental receipts. If the accommodation cost is not fully expended, or not substantiated the excess or unsubstantiated amount is subject to FBT.

At UNSW, the exempt accommodation component of a LAFHA is provided to employees.

10.3 Food and Drink

The food and drink component is the amount of the LAFHA that is paid to compensate the employee for food and drink expenses for themselves and eligible family members while living away from home. The reasonable food component is stipulated by the Commissioner each year. The exempt food component is calculated by excluding the statutory amount from the reasonable amount. The exempt amount represents compensation for additional expenses on food, because the employee is required by their employer to live away from their normal residence in Australia. If the Food and Drink exceeds the Commissioner's reasonable amount the full amount must be substantiated.

Where an employee lives away from home for part of each week, the reasonable food amount and statutory amount will be reduced to a proportional amount equivalent to the number of days in the week the employee is living away from home.

10.4 LAFHA Declarations

To access the tax concessions the employee must provide a LAFHA declaration in the approved form setting out their normal residence in Australia and actual place of residence during the period of the allowance. UNSW requires a LAFHA declaration to be completed for each FBT year and on termination of employment, or when LAFHA ceases.

The declaration to complete for LAFHA after 1/10/12 depends on whether the employee is eligible for LAFHA under the Transitional rules – FBT 23, Refer Section 10.8, If the employee is not eligible under the transitional rules they should complete the Maintain Home – FBT 24 declaration. The FBT 20 declaration is required for the period to 30/9/12.

[LAFHA Declaration – FBT 20 – for period to 30/9/12](#)

[LAFHA Declaration Transitional Rules – FBT 23](#)

[LAFHA Declaration Maintain Home – FBT 24](#)

10.5 Who is Eligible for LAFHA?

Employees who are required by their employer or future employer to live away from their normal residence in Australia to perform the duties of their employment may be eligible for LAFHA. There must be a requirement to live in another location placed on the employee by the employer.

The employee or their spouse must have an ownership interest in their normal residence that they are living away from. This means they must incur the ongoing cost of maintaining the residence e.g. mortgage or rental payment and rates.

The normal residence in Australia that the employee is living away from must be available for their immediate use and enjoyment at all times while living away from it. The residence cannot be rented out or sublet while they are living away from it.

It is reasonable to expect the employee will return to their normal residence upon completion of the job.

Eligibility to LAFHA will be determined on a case by case basis after consideration of the individual facts and circumstances.

10.6 Normal residence

An employee is regarded as living away from their normal residence if they would have continued to live at the former place if they did not have to work temporarily in a different locality.

***** The normal residence would be the employee's home address in Australia This will be different to their actual place of residence during the assignment.***

10.7 Period Of LAFHA

From 1 October 2012, the LAFHA is limited to a maximum period of 12 months in respect of an individual employee for any particular work location. The 12 month period can be paused where the employee returns to their normal residence in Australia, e.g. annual leave, sick leave, long service leave. The decision to pause the 12 month period can be decided by the employer.

10.8 Transitional Arrangements

Where a permanent resident of Australia had an employment arrangement in place as at 08/05/2012, and it has not been materially varied between this date and 1/10/2012, the employee may continue to be eligible for LAFHA under the transitional rules. This employee is not required to maintain a home in Australia and is not limited to the maximum period of 12 months until the earlier of 01/07/2014 or a material variation to their employment arrangement is made.

10.9 No longer intending to return home

If an employee in receipt of LAFHA decides they no longer intend to return to their normal home in Australia at the end of their current contract, they must notify their HR consultant.

10.10 Purchase of residential Property

If an employee in receipt of LAFHA, purchases property at the temporary location, they must notify their HR consultant.

10.11 Substantiation

From 1/10/12 all employees in receipt of LAFHA are required to substantiate the amount they have actually incurred on accommodation. This written evidence could include a lease agreement plus evidence the amount has been spent, e.g. credit card statement, bank statement or rental receipts. If the accommodation cost is not fully expended, or not substantiated the excess or unsubstantiated amount is subject to FBT

For food and drink expenses the amount only needs to be substantiated if it exceeds the reasonable amount as set by the Commissioner each FBT year based on the eligible family members. If the Food and drink does exceed the Commissioner's reasonable amount, the full amount spent must be substantiated.

The substantiation can be satisfied by the employee providing documentary evidence of the expense to the employer. Alternatively the employee can complete a declaration setting out the amount actually incurred but the employee must retain documentary evidence of the expense for a period of five years from the date the declaration is made

LAFHA Substantiation Declaration – FBT 25

For UNSW employees in receipt of LAFHA it is recommended the employee provides this documentary evidence each FBT year

11 Relocation

Where an employee moves from one locality to another in the course of employment or in order to commence employment, a number of relocation costs may be paid or reimbursed. Whether an FBT exemption or reduction is available in relation to these relocation costs is explained below.

11.1 Connection or Reconnection of Certain Utilities

Where an employee is required to live away from home in order to perform employment duties, the costs of connecting or reconnecting gas, electricity and telephone services to the new place of residence may be an exempt benefit. Similarly, where there is a change in the employee's usual place of residence, these costs may be exempt benefits. For a telephone connection the employee must have had a telephone connection at the former residence. If a permanent relocation, the reconnection of the utilities must be made within 12 months of the employee starting work at the new location.

11.2 Education of children of overseas employees

A reduction in FBT is available for expenses in respect of the full-time education costs of an employee's child when the employee is posted overseas. This applies to both Australian employees posted overseas and overseas residents posted to Australia. The full-time education can be provided to a child at a school, college or university, or by a tutor. The employee must be posted overseas for 28 days or more. The child must be less than 25 years of age.

11.3 Engagement of relocation consultant

If a relocation consultant is used to assist with the relocation of an employee, or their family members, a FBT exemption may apply for costs associated with the engagement of the relocation consultant.

11.4 Leasing of household goods

A benefit that consists of the lease of household goods used primarily for domestic purposes while an employee is living away from home may be an exempt benefit. This may form part of the accommodation component of a LAFHA. See section 10.2 above.

11.5 Overseas Employment Holiday Transport

Costs for holiday transport for an employee and their family where the employee has been posted overseas, receive a 50% concession for FBT. The travel must be in connection with leave of three days or more. The concession also extends to the cost of meals and accommodation.

The concession is limited to one trip per FBT year. The travel can be to either the employee's home country or to another location. Where the travel is not to the employee's home country the concession will be limited to 50% of the home cost, where the travel is to a location with a higher cost than a home leave trip.

Whether a holiday transport cost is to be paid for an employee is decided by the Business Unit, as the Business Unit will also incur an FBT cost on the expense.

11.6 Removal and storage of household effects

Where UNSW pays for removal and storage of household effects of employees (both new and existing) that have to live away from home because of a change in their job location, the benefit is exempt. The exemption includes the costs of removal, storage, packing, unpacking and insurance of household effects (including pets) kept primarily for the personal use of the employee or their family.

Similarly, the exemption also applies where the employee's usual place of residence changes to another location if the removal takes place or the storage commences, not more than 12 months after the employee begins employment duties at the new location.

11.7 Sale or acquisition of dwelling

Where UNSW provides relocation expenses that are incidental to an employee's sale and/or purchase of a home, the expenses may be exempt benefits. These incidental costs include stamp duty, advertising, legal fees, agent commission, discharge of a mortgage, expenses of borrowing or any similar capital expenses.

The exemption applies to the home that is sold only if the sale is made solely because the employee changed their usual place of residence in order to carry out employment. The house must have been owned and have been the employee's usual place of residence when the employee was notified of the change to the new locality. The sale contract must be made within two years of commencing duty at the new locality.

The exemption applies to the home that is purchased only if the employee owned a home at the former locality. The purchase was made solely because of the relocation to another job location. The new home was occupied as the employee's usual place of residence. The contract to purchase was made within four years of commencing duty at the new location.

11.8 Temporary Accommodation

Providing temporary accommodation to an employee who permanently relocates and changes their usual place of residence may qualify for a concession. Where temporary accommodation is provided at the employee's former location, the former home must be unavailable or unsuitable for occupancy because of the relocation. The concession is limited to a maximum period of 21 days ending on the day the employee starts work at the new location.

Where the temporary accommodation is at the new location the employee must start to make sustained and reasonable efforts to buy or lease suitable long-term accommodation as soon as reasonably practical after starting work at the new location. The concession is limited to an occupancy period that begins seven days before the day the employee starts work at the new location and ends when the employee could reasonably be expected to occupy the home after purchasing or leasing. It is limited to a maximum occupancy period of four months, but may be extended to 6 or 12 months in certain circumstances.

If the accommodation is in respect of a temporary relocation or where the employee is not eligible for LAFHA, FBT will apply. Temporary accommodation can only be exempted from FBT where the employee has permanently relocated, and the above conditions are satisfied

The employee is required to complete a Temporary Accommodation Declaration.

[Temporary Accommodation Declaration – FBT 19](#)

11.9 Transport

Where an employee is required to live away from home in order to perform employment duties, or is similarly required to relocate their usual place of residence, the costs of providing relocation transport (and any meals and accommodation en route) to the employee (and family members) are exempt benefits. The exemption also applies where the employee is returning to their usual place of residence after working at another location. Relocation transport benefits provided to an employee prior to actual relocation for the purpose of a 'look-see trip' to enable the employee and family to take up residence are also exempt benefits. The exemption also extends to travel related to selection tests and employment interviews for the employee.

The exemption does not apply to a reimbursement of the employee's car expenses where the reimbursement is calculated according to the distance the car travels. However, the taxable value can be reduced, by the amount of the applicable rate for income tax deductions on a cents per kilometre travelled basis.

If an employee is reimbursed on a cents per kilometre basis for using their own car as relocation transport they should complete the Relocation Transport Declaration.

[Relocation Transport Declaration – FBT 15](#)

11.10 Visa

The reimbursement or payment of the costs associated with a visa that is required for the employee to relocate to Australia to take up a position can be exempted from FBT as incidental to the relocation transport cost. This includes the cost of a temporary work visa, permanent residency visa and costs of an immigration agent, provided at the time of the relocation and to allow the employee to enter Australia.

If the employee is already working in Australia and later seeks permanent residency in Australia or a similar visa to reside in Australia, the costs of the permanent residency or visa application and costs of an immigration agent to assist with the application will be subject to FBT.

Renewal of a 457 visa that allows an employee to continue to live and work in Australia is subject to FBT. A 457 visa is a particular kind of visa that allows an employee to work while residing in Australia.

11.11 Further details on Relocation

Further details on Relocation can be found on the Human Resources website.
http://www.hr.unsw.edu.au/services/recruitment/Relocation_main.html

12 Otherwise Deductible Rule

The otherwise deductible rule reduces the taxable value of a fringe benefit by the amount the employee would have been entitled to claim an income tax deduction for if they had incurred the expense. The effect is only the employee's private usage of the fringe benefit is taxed.

For example, UNSW pays a professional membership fee for an employee. As this membership fee would have been deductible in the employee's own personal income tax return if the employee had paid the fee, the taxable value of the fringe benefit is reduced to nil. In another instance an employee is reimbursed for home internet use. The employee provides a declaration showing 80% was employment-related and income tax deductible. The taxable value is reduced to 20%, i.e. the private use portion of the expense.

**** For self education costs the \$250 income tax reduction does not apply for FBT. The full amount can be treated as otherwise deductible where an employee declaration is provided which shows 100% work related.**

Otherwise Deductible Declaration – FBT 21

13 Salary Sacrifice

A salary sacrifice arrangement means an arrangement under which an employee agrees to forego part of his or her future entitlement to salary or wages in return for the employer or someone associated with the employer providing benefits of a similar value. The main assumption made by the parties is that the employee is then taxed under the income tax laws only on the reduced salary or wages and that the employer is liable to pay FBT, if any, on the benefits provided. The amount of super guarantee UNSW is required to pay in relation to an employee is calculated on their earnings base. As entering into a salary sacrifice arrangement reduces the employee's earnings base, it will reduce the amount of super guarantee that UNSW is required to pay.

Further details on Salary Sacrificing can be found on the Human Resources website.
<http://www.hr.unsw.edu.au/services/salaries/sacrific.html>

**** To be an effective salary sacrifice arrangement it should be entered into before the work is performed. Employees should seek their own personal tax advice before deciding whether to enter into a salary sacrifice arrangement.**

14 How FBT is calculated in the PeopleSoft system

FBT oncosts are automatically calculated in the system when transactions are posted into several accounts, including:

6457 – Entertainment FBT Payable
6459 – Entertainment Recreation staff
6501 – Consumables Uniforms
6613 – Staff Exp Membership Fees FBT
6619 – Staff Exp – Gifts & Award \$300 and above
6624 – Staff Exp - Education
6626 – Staff Exp – Childcare Support
6630 – Other Staff Exp Subject to FBT

For example, an amount of \$500 is posted to the 6457 account. The FBT oncost would be \$578.43, calculated as $\$500 * 1.1 * 2.1463 * 49\%$. As the amount in Account 6457 excludes the GST, 10% is added to this amount in calculating the FBT oncost. Refer Section 15 for further explanation of FBT Rates. A Payroll Tax oncost also applies.

FBT rates

FBT is calculated on the grossed up Taxable value of a fringe benefit. The rate of FBT is currently 49%.

Gross Up Rates:

Type 1	2.1463	(used where entitled to a GST credit for GST paid on benefits)
Type 2	1.9608	(used where there is no entitlement to a GST credit)
FBT	49.0%	

For example, a UNSW employee receives a fringe benefit of \$500. GST is included in the cost and a tax invoice is provided. The FBT payable on this benefit is \$488.85 calculated as $\$500 * 2.1463 * 49\% = \525.84

15 Declarations

A declaration is a written statement given to an employer by an employee about the following information relating to fringe benefits received:

- The percentage of business use.
- The reduction allowed under the 'otherwise deductible' rule.
- A Living Away From Home Declaration stating the employee's normal residence and actual place of residence
- Temporary accommodation relating to relocation
- Relocation transport by employee's car

For identical benefits that are the same in all respects except for any differences that are minimal or insignificant, relate to the value of the benefit, or relate to the deductible proportion of the benefit, a recurring declaration can be provided. A recurring declaration for example, could be provided for home internet usage.

Where benefits are provided only for employment-related purposes and there was no private portion, a No Private use declaration can be completed.

For payment via Expense Reimbursement or Accounts Payable, complete Expense Payment Declaration or Recurring Expense Payment Declaration.

[Expense Payment Declaration – FBT 4](#) and [Recurring Expense Payment Declaration – FBT 12](#)

For payment via Corporate Credit Card complete Residual Benefit Declaration or Recurring Residual Benefit Declaration.

[Residual Benefit Declaration – FBT 22](#) and [Recurring Residual Benefit Declaration – FBT 14](#)

[Otherwise Deductible Declaration – FBT 21](#)

[LAFHA Declaration – FBT 20](#)

[LAFHA Declaration Transitional Rules FBT 23](#)

[LAFHA Declaration Maintain Home FBT 24](#)

[LAFHA Substantiation Declaration – FBT 25](#)

[Temporary Accommodation Declaration – FBT 19](#)

[Relocation Transport Declaration – FBT 15](#)

[Recurring Residual Benefit Declaration – FBT 14](#)

[No Private Use Expense Payment Declaration FBT 8](#)

[No Private Use Residual Declaration – FBT 9](#)

[Fuel Expense Declaration – FBT 5](#)

All completed declarations should be forwarded to Tax Manager, Corporate Finance and Advisory Services, Level 2, The Chancellery, Kensington Campus, UNSW, Sydney, NSW 2052.

16 Supporting invoices and other documents

Sufficient records are required to enable the FBT liability to be assessed. Records must be written in English or, if in electronic form (for example, on computer), made readily accessible and convertible into written English. For record keeping purposes, electronic records (including encrypted records) are subject to the same record keeping requirements as paper records. For FBT purposes, these records must be kept for five years from the date they are prepared,

obtained or the transactions completed, and in a form that tax officers can access and understand in order to determine your tax liability.

Records must show the following:

- The taxable value of each fringe benefit provided to each employee (that is, its value before it is grossed up). Some examples of records are tax invoices, receipts, travel diaries, logbooks, odometer records and employee declarations.
- The method of allocating the taxable value of a fringe benefit provided to two or more employees. This may include any reasonable agreement between an employer and an employee regarding the apportionment of fringe benefits.
- That 100% of the taxable value of the benefits has been allocated to employees. The taxable value of excluded benefits (such as entertainment by way of food and drink) do not need to be allocated to individual employees.

Where a fringe benefit is provided by an associate, the associate is required to provide copies of the records within 21 days of the end of the FBT year. Both UNSW and the associate are required to keep the records for five years from the date of the relevant transaction.

UNSW must also keep specific records to take advantage of various exemptions or concessions that reduce the FBT liability. These documents must be kept for five years from when the relevant FBT return is lodged. Examples of these records are:

- all documents from employees, such as declarations, invoices and/or receipts, bills of sale, lease documents, travel diaries, copies of logbooks, odometer records, and
- where the benefit is a car fringe benefit valued under the operating cost method, fleet management records, logbook records and odometer records.

For some concessions and exemptions UNSW has to obtain 'documentary evidence' of expenditure by an employee. Broadly, UNSW is required to obtain the original invoice and/or receipt from the employee. This must show the date of the receipt or invoice, the date of the expense, the name of the supplier, what was bought and the amount paid.

UNSW must make elections and declarations and obtain all employee declarations no later than the day on which the FBT return is due to be lodged with the Tax Office i.e. by 21 May. There is no need to notify the Tax Office of the election or declaration as the business records are sufficient evidence of this.

17 Travel

17.1 Travel Diaries

Travel diaries are required for overseas travel where an employee is away from home for more than five nights, including transit time.

Travel diaries are required for domestic travel for more than five nights where the travel is not exclusively for performing employment-related duties.

The Travel Diary should be attached to the Travel record in the Travel Management System (Serko) or attached to the Expense Claim or Credit Card Statement where the travel is not recorded in Serko.

17.2 Travel Advances

The UNSW Travel Policy requires accounting for expenditures relating to travel advances to be completed within 30 days from the date of travel return. This also includes refunding any unspent funds from the Travel Advance.

For FBT purposes if an employee is provided with a travel advance for the purpose of meeting expenses to be incurred, the employee must acquit the advance by accounting for the expenses and refunding any excess funds within six months of the advance being made. Any funds not refunded or accounted for within six months of the original advance date may be treated as a loan and subject to FBT. A travel advance should be acquitted promptly after the employee returns from the travel.

18 Reportable Fringe Benefits

If the total taxable value of reportable fringe benefits provided to an employee in an FBT year (1 April to 31 March) is more than \$2,000, UNSW must record the grossed-up taxable value of those benefits on the employee's payment summary for the corresponding income year (1 July to 30 June).

Even though a reportable fringe benefits amount is included on the payment summary and is shown on the tax return, it is not included in assessable income. It is, however, included in a number of income tests related to:

- Medicare levy surcharge
- deduction for personal superannuation contributions
- superannuation co-contribution
- tax offset for eligible spouse superannuation contributions
- mature age worker tax offset
- Higher Education Loan Programme (HELP) repayments and Student Financial Supplement Scheme (SFSS) repayments
- child support obligations, and
- entitlement to certain income-tested government benefits.

The reportable fringe benefits amount is also taken into account in the income tests for the family tax benefit and child care benefit, and for the parental income test for the youth allowance.

**** An individual fringe benefit of \$2500 will be reported on the employee's payment summary as \$4902 (i.e. $\$2500 * 1.9608$. The lower gross up rate is used for reportable fringe benefits.**

19 Which Account to Charge

The table below shows the FBT application, Expense code and General Ledger account for some common expenses. It is intended to assist in the correct identification and tax treatment of the FBT related costs.

Description	FBT	Expense Code	GL Account
Airline Club Membership	No	218	6640
Child care – not on UNSW premises	Yes	8	6630
Education costs – for academic employees and tax deductible	No	16	6621
Education costs – for general employees and tax deductible	No	16	6620
Education costs – non-deductible for income tax	Yes	56	6624
Education costs – IT staff	No		6629
Entertainment for Staff and Associates	Yes	1,46,75,7 6,78,170, 209,210	6457
Entertainment for Students and Clients	No	1,46,76, 78	6458
Entertainment – Recreational	Yes		6459
Furniture – purchased on relocation or private	Yes	30	6630
Gifts and Awards – staff (excludes minor)	Yes	23,24,27, 30	6619
Gifts and Awards – clients and others	No	23,24,26, 27,30	6708
Gifts and Awards – students	No	23,24,26, 27,30	6200
Health Insurance	Yes		6630
HELP/HECS Fees	Yes	56	6624
Holiday travel cost – for overseas employees	Yes		6630
Internet – home personal use (excludes minor)	Yes	62	6630
Long Service Leave Award – non exempt	Yes	28?	6623
Long Service Leave Awards – eligible for exemption	No	29	6623
Meals whilst travelling – employee Domestic/International	No	73,249	7010/7110
Meals whilst travelling – employee family	Yes	75,209, 210	6457
Membership Fees – professional	No	100,125	6640
Membership Fees – sport or personal	Yes	248	6613
Migrant Language Training	No	16	6620
Morning/ Afternoon Teas, light meals – associates	Yes	169,170	6457

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Description	FBT	Expense Code	GL Account
Morning/Afternoon Teas, light meals - employees	No	169,170	6611
Occupational Health & Safety - Training	No	146	6620
Permanent Residency Application – where already working in Australia	Yes	167	6630
Permanent Residency Application – to enter Australia for work	No	103	7002
Recreational entertainment	Yes		6459
Relocation – if exempt from FBT	No	103	7002
Relocation – non exempt	Yes	103	6630
Relocation consultant	No	103	7002
Removalist costs – on relocation	No	103	7002
Safety/ Protective Clothing	No	142,143, 144	6500
Seminar meals - associates	Yes	73,74, 132,249	6457
Seminar meals – for employee	No	73,74,132	7114
Spouse Travel	Yes		6630
Taxi Travel – business purposes Domestic/International	No	114,115	7010/ 7110
Taxi Travel – for entertainment	Yes	33	6457
Telephone – home personal use	Yes	116	6630
Telephone – mobile (primarily for work)	No	116	6649
Temporary accommodation – not searching long term accommodation, or more than 7 days before start work	Yes	117	6630
Temporary accommodation while searching for suitable long term	No	117	7002
Uniforms – compulsory and Policy	No	124	6412
Uniforms – non-compulsory or no Policy	Yes	124	6501
Visa – Travel visa	No	168	7110
Visa – on relocation, to enter Australia	No	103	7002
Visa – 457 renewal	Yes		6630

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DOCUMENT VERSION

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