

SHOULD YOU LODGE A FBT RETURN?

Even though **Fringe Benefits Tax (FBT)** is designed to capture benefits enjoyed by an employee, it is levied on the employer. Unless your employment agreement allows for any FBT that becomes payable to be recouped from the employee, the employer will have no recourse for reimbursement.

So, why should an employer lodge an FBT return where no FBT is payable? Well, for the **simple reason that it turns on a three-year deadline for the ATO to commence audit activities.**

Without an FBT return being lodged, the ATO has the discretion to launch an audit into activities as far back as a business has had employees. Without the evidence (e.g., signed declarations, logbooks, meal entertainment records, etc.) that FBT was NOT payable in each year the ATO is likely to raise FBT liabilities, even where the employee who enjoyed the benefit may no longer work for the business. This makes it impossible for the business to recoup anything from the past employee.

The onus of proof will always fall on the employer. Therefore, employers need to be thinking about at least once a year i.e. FBT Lodgement time. Without registering for FBT, it is very easy to forget about FBT and any FBT implications on fringe benefits provided.

Even where an employer believes they have done everything in accordance with legislation, **people will make mistakes.** A common mistake occurs where an employee is provided with a car and the private use is worked out **using the operating cost (logbook) method.** A part of using the logbook method is working out deemed depreciation each year and many accountants overlook this or work it out incorrectly by relying on the depreciation claimed on the business' financial statements. This mistake can give rise to an FBT liability where the calculated employee contribution is insufficient to remove the car's taxable value.

If a mistake like this is identified, the ATO is likely to review the entire period that the car was owned by the business and also audit any other benefits identified.



Lodging an FBT return would limit the length of time the ATO can audit to three years.

Another common mistake is **not maintaining a register of which employees are the recipient of meal entertainment benefits.** Not all meal entertainment benefits are treated the same which is why maintaining a register is vital.

For example, you have two employees, Rick & Morty. Rick's job is to go out and impress current and potential clients at various social events where food and drink is consumed. Morty's role on the other hand is to remain in the office and complete the projects that Rick wins. At the year-end social function, the food and drink that is consumed by Rick will not qualify as exempt meal entertainment, however, the food and drink consumed by Morty will be exempt. Without the records to confirm who received meal entertainment benefits, and absence of a completed FBT return, the ATO has unlimited scope to audit your records for liabilities. Please note that the above example assumes use of the Actual Method for valuing Meal Entertainment. The Minor Benefits and On Premises exemptions are not available under the 50/50 Valuation Method.

The ATO has signalled that there will be an increased focus on FBT this year, so if you would like to limit the ATO's ability to retrospectively launch an audit on your business, please contact your advisor at **Omnis Group Pty Ltd** today.

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