

FRINGE BENEFITS TAX (FBT) POLICY[®]

DOCUMENT SUMMARY/KEY POINTS

- The Sydney Children's Hospitals Network (Network) shall, at all times comply NSW Ministry of Health (MOH) FBT Policy and procedures, Fringe Benefits Tax Manual (TPP 06-2) which is available on the Ministry of Health intranet.
- Employees of the Network can salary package benefits up to a certain maximum concessional grossed up value, also called FBT exempt cap, tax free provided they enter into a half share of income tax savings agreement with the Network to access this benefit.
- Employees receiving fringe benefits in excess of the FBT exempt cap in a FBT year are required to reimburse the Network for any current or future tax applicable to the benefits availed that exceed the FBT exempt cap.
- Travel fares may give rise to fringe benefit, if employees take excessive private leave whilst on conference, or take a diversion to another destination or are accompanied by family members.
- The Network provided pool cars give rise to fringe benefit and employees will need to reduce their maximum salary packaged amount to avoid incurring FBT tax.
- Appendix – A, attached to this Policy details the current FBT exemption thresholds applicable to the Network

CHANGE SUMMARY

- The whole document has been reorganised; topics have been numbered for ease of reference
- Some headers have been amended to align with the topics discussed. This includes a header, Value of Fringe Benefits Provided to Employees, under the old document; this

This document reflects what is currently regarded as safe practice. However, as in any clinical situation, there may be factors which cannot be covered by a single set of guidelines. This document does not replace the need for the application of clinical judgement to each individual presentation.

Approved by:	SCHN Policy, Procedure and Guideline Committee	
Date Effective:	30 May 2016	Review Period: 3 years
Team Leader:	Manager Financial Accounting	Area/Dept: Finance

Date of Publishing: 26 May 2016 1:25 PM

Date of Printing:

Page 1 of 9

K:\CHW P&P\Policy\May 16\SCHN Fringe Benefits Tax (FBT).docx

This Policy/Procedure may be varied, withdrawn or replaced at any time. Compliance with this Policy/Procedure is mandatory.

has been amended to the header, FBT Capping Threshold.

- An appendix, Appendix A, has been newly inserted into the document. This lists the FBT thresholds applicable to different FBT years, the salary sacrificed Meal Entertainment benefit cap and the Reportable Fringe Benefit threshold.

READ ACKNOWLEDGEMENT

- All staff should be aware of this document.
- All managers should read and acknowledge this document.

This document reflects what is currently regarded as safe practice. However, as in any clinical situation, there may be factors which cannot be covered by a single set of guidelines. This document does not replace the need for the application of clinical judgement to each individual presentation.

Approved by:	SCHN Policy, Procedure and Guideline Committee	
Date Effective:	30 May 2016	Review Period: 3 years
Team Leader:	Manager Financial Accounting	Area/Dept: Finance

Date of Publishing: 26 May 2016 1:25 PM

Date of Printing:

Page 2 of 9

K:\CHW P&P\Policy\May 16\SCHN Fringe Benefits Tax (FBT).docx

This Policy/Procedure may be varied, withdrawn or replaced at any time. Compliance with this Policy/Procedure is mandatory.

1. Introduction

FBT is a tax, payable by employers, based on the value of “benefits” (specifically defined) provided to employees. In broad terms, fringe benefits are ‘payments’ to employees other than salary and wages that have been provided to employees, or to the associates of those employees, in relation to their employment. The term ‘benefit’ has a very broad meaning and includes any right, privilege, service or facility. Some examples of fringe benefits that may be available to eligible employees of the Sydney Children’s Hospitals Network (the Network) are as follows:

- Car fringe benefits – private use of the Network’s car
- Novated Lease car
- Benefits under a salary package agreement
- Payments of HECS or Tuition fees
- Travel fares fringe benefits arising from taking excessive private leave in conjunction with work related conference travel

Some of these benefits and their implications are described below -

Travel Fares

The Network shall comply with the Australian Tax Office (ATO) ruling on travel when determining if a reportable fringe benefit is accrued to staff when travelling to attend a work related conference. **Each circumstance is subject to individual review by the Network**, however, generally:

- If the private leave days are less than the official conference days

AND

- There is no diversion to another destination for private activity

AND

- No family members accompany the staff member for private purpose;

Then the pre-dominant purpose of the trip is taken to be employment related and therefore no fringe benefit arises.

Where the above conditions are not met, up to 50% of the fare cost plus the cost of the private route diversion, where applicable, is required by the ATO to be taken up as a reportable fringe benefit.

A travel diary / itinerary (included in the travel pack) must be fully completed for all domestic and overseas travel. Failure to complete a travel diary will result in the total cost of the trip being reported as a fringe benefit, in accordance with the ATO requirements.

Employees are advised to speak to the Tax Accountant in Finance Department for guidance before they go on conference travel as to the applicability of any fringe benefit to their travel.

Fringe Benefits of Network Pool Cars

The Network employees that are provided with Network cars or Network pool cars to take home overnight may incur a car fringe benefit. However, from 1 April 2007, employers are not required to report the taxable value of shared or pooled cars onto Payment Summaries where more than one employee has private use of that car during the FBT year. The taxable value, however, remains subject to FBT. Employees who are salary packaging and are provided with such pool cars will need to advise the Salary Packaging Officer and reduce their packaged amount by the value of this benefit (net of any personal contribution) to bring the aggregate benefits within the FBT exempt cap and avoid paying any FBT tax.

The Salary Packaging Officer, in liaison with Transport Department, is able to estimate the value of the pool car provided to an employee based on number of days made available for private use to an employee and the estimated annualised travelled kilometres.

2. FBT Year

The FBT year covers the twelve-month period beginning 1 April and ending 31 March each year.

3. Compliance With NSW Ministry of Health Policies

The Network shall comply with NSW Ministry of Health's Fringe Benefit Tax Policy and procedures as set out in its Manual (TPP 06-02), and amended from time to time. The Manual is available under <http://internal.health.nsw.gov.au/finance/taxissues.html>.

4. FBT Capping Threshold

Certain organisations are exempt from FBT where the total grossed-up value of certain benefits (which are benefits not otherwise exempt) provided to each employee during the FBT year is equal to, or less than, the capping threshold. If the total grossed-up value of fringe benefits provided to an employee is more than that capping threshold, the employer organisation will pay FBT on the excess. Under the Fringe Benefits Tax Assessment Act, NSW Ministry of Health (MoH) staff who are employed directly by a Local Health District or Specialty Network for provision of services in public hospitals, are entitled to capped exemption available to public and non-profit hospitals for total grossed-up value of benefits received in a FBT year up to \$17,667 for FBT year 2015-16. The capped exemptions to public and non-profit hospitals for the next three FBT years are given in Appendix A to this document. However, employees are required to enter into an income tax savings sharing agreement with MoH, through their respective employer Health entities to access these benefits whereby the income tax savings accruing to the employee on account of salary packaging are shared equally between the employee and the employer Health entity. Accordingly, the employees of this Network are able to access the salary packaging benefits by entering into tax savings sharing agreements with the Network. It must be noted that since

the passage of the NSW Government Public Sector Employment Legislation Amendment Act 2006 (PSELAA) on 17 March 2006, all Local Health Networks and Health Services' employees are now NSW Health Service – Crown Authority employees and therefore the aggregate grossed-up taxable value of benefits availed at all the Health entities during a FBT year cannot exceed the FBT exempt threshold. This means, if an employee moves from one Health entity to another during a FBT year that employee cannot package fringe benefits again with the second employer if the employee has already exhausted the full amount of exempt cap with the first employer.

If an employee receives other non-packaged fringe benefits that result in total fringe benefits, RFBA, exceeding the FBT exempt cap, combined with the packaged fringe benefits, the employee shall take action to *either*:

- Reduce the total RFBA to the FBT exempt cap by reducing the packaged fringe benefits under the salary package agreement, where possible

OR

- Make a contribution from after tax income to reduce the value of the benefits to the FBT exempt cap

AND/OR

- Reimburse the Network for the FBT tax payable on the amount exceeding FBT exempt cap from pre-tax salary deductions.

5. Taxable value

Where a benefit is subject to FBT, it will not be taxable in the hands of the employee. However, it may be required to be reported on an employee's payment summary and is then used by the authorities to determine entitlements to certain tax concessions and benefits or liability to certain surcharges (i.e. social security benefits, Medicare levy surcharge etc).

The taxable value of a fringe benefit is an attempt to quantify (in monetary terms) the value of the benefit being provided, and is established from a series of valuation rules.

Benefits that do not fall into any of the specific categories may be taxed under the general category of "residual fringe benefits".

For some types of fringe benefits, the value of the fringe benefit is relatively straightforward (e.g. expense payment fringe benefits where the value is based on evidence of actual expenses) while in other cases, this is more difficult (e.g. car fringe benefits where there are a range of different valuation approaches).

The FBTAA specifies how to determine the taxable value of different types of fringe benefits.

In quantifying the taxable value of a fringe benefit, in many cases it is possible to reduce the taxable value through the following methods:

- recipient's contribution or
- the otherwise deductible rule.

These are discussed further below.

Recipient's contribution -

In many cases, the legislation provides for the taxable value of a fringe benefit to be reduced by the after-tax contribution to the cost of the benefit made by the recipient of the benefit. This ensures that only the net amount of the fringe benefit is taxable.

For example, where an employee makes an after-tax contribution towards the cost of leasing a motor vehicle, the amount of the contribution will be deducted from the taxable value, and therefore reduce the total FBT payable.

The same method applies to after-tax contributions made by the employee in relation to most benefits received, and is used to reduce the taxable value of the fringe benefit accordingly. Reference should be made to the calculation of the category of each type of fringe benefit to determine when the taxable value of the benefit can be reduced by application of a recipient contribution.

Otherwise Deductible Rule -

Another way in which the taxable value of particular fringe benefits may be reduced is by the amount that the employee would normally be able to claim as an income tax deduction if the employee were to acquire the benefit themselves.

For example, if an employee of the Network was provided with airline tickets to travel in order to perform employment related duties, the cost would be wholly deductible for income tax purposes to the employee, if they had incurred the cost themselves.

Accordingly, the otherwise deductible rule provides that where the Network provides a ticket to an employee under such circumstances, the taxable value of the fringe benefit would be reduced to nil as the cost of the ticket would have been otherwise deductible to the employee if they had paid for the ticket.

The Network does not pay or reimburse any private expenditure, other than those under a salary package agreement. However, some fringe benefits may accrue to the employee from such things as the Network payment of their educational and training expenses, telephone rental, or use of SCHN equipment at home.

Employees seeking to apply for a reduction under this rule are required to provide documentary evidence and complete the FBT Expense Payment Benefit Declaration or Recurring Residual Benefit Declaration form available on the intranet in the Forms section in the Finance box.

6. Fringe Benefit Tax Liability

FBT liability is calculated under the 'grossing-up' method. The gross-up calculations convert the taxable value of a fringe benefit to its gross or pre-tax equivalent value, to arrive at the 'Fringe Benefits Taxable Amount'. FBT is then levied on the Fringe Benefits Taxable Amount at the then current rate.

As a public and not-for-profit hospital, the Network is entitled to concessional FBT treatment limited to the capping threshold per employee per FBT year as specified under Appendix A. Any amount above this limit is subject to the normal FBT treatment.

Accordingly, where a Network employee avails fringe benefits over and above the capping threshold in a FBT year and incurs tax thereon, the employee will be required to reimburse

the Network for such fringe benefits tax. It is the amount of tax applicable to the grossed up value of benefits availed by an employee that exceeds the FBT exempt cap, whether the benefits are under a salary packaging arrangement or otherwise.

7. Fringe Benefit Tax Information And Advice

It is the employee's responsibility to seek their own independent financial and taxation advice before making any decision related to fringe benefits or salary packaging. The Network can only provide general information and fact sheets as published on its Intranet pages from time to time. Information on pool cars mileage and days made available can be obtained by contacting SCHN Transport Department.

Copyright notice and disclaimer:

The use of this document outside Sydney Children's Hospitals Network (SCHN), or its reproduction in whole or in part, is subject to acknowledgement that it is the property of SCHN. SCHN has done everything practicable to make this document accurate, up-to-date and in accordance with accepted legislation and standards at the date of publication. SCHN is not responsible for consequences arising from the use of this document outside SCHN. A current version of this document is only available electronically from the Hospitals. If this document is printed, it is only valid to the date of printing.

APPENDIX – A

1. **FBT exempt threshold** – The current FBT exemption thresholds applicable to the Network for the next four years are as follows. It must, however, be noted that these thresholds remain valid until amended by Federal government in the future.

Year	Capping threshold (grossed-up value)
FBT Year 2015-16	\$17,667 per employee
FBT Year 2016-17	\$17,667 per employee
FBT Year 2017-18 onwards	\$17,000 per employee

FBT Meal Entertainment- capped concessions

Apart from the above, salary sacrificed meal entertainment benefits will become reportable fringe benefits from 01 April 2016.

From 1 April 2016, all salary packaged meal entertainment benefits:

- are subject to a separate single grossed up cap of \$5,000
- that exceed the \$5,000 grossed-up cap will count towards an existing FBT exemption or rebate cap
- will be reportable and must be included on a payment summary, in addition to the other reportable fringe benefit amount, where the reporting threshold is exceeded; there are certain provisions regarding calculation of taxable value of the benefits.

2. **FBT (tax) rate on grossed-up value of benefit over the above thresholds**

Year	Rate of tax
FBT Year 2015-16	49%
FBT Year 2016-17	49%
FBT Year 2017-18 onwards	47%

3. **Reportable Fringe Benefits Threshold** – That is, the aggregate amount benefits up to this value are not reportable on the Payment Summaries

\$2,000 taxable value (or the equivalent grossed-up taxable value calculated using the Type 2 gross-up factor applicable for respective FBT year)