

# MEADS *focus*

ADDRESSING THE NEEDS OF BUSINESS PROFESSIONALS  
AND PLANNING FOR A SECURE FUTURE.

**What is Christmas? It is tenderness for the past, courage for the present, hope for the future. It is a fervent wish that every cup may overflow with blessings rich and eternal, and that every path may lead to peace.**

**Agnes M. Pharo**

## Fringe Benefits Tax

The Australian Taxation Office (ATO) has advised that they will undertake two major projects to ensure employers are meeting their fringe benefits tax (FBT) obligations in relation to employee car benefits. A letter will be forwarded to clients where it is applicable in this matter and a courtesy copy will also be given to Tax Agents.

The ATO often finds that clients fail to recognise home to work travel as private and the GST implications in relation to employee contributions for FBT liability are overlooked.

The first project relates to all business owned cars and it will form a questionnaire requesting information for business-owned cars over the last two years.

The next financial year for Fringe Benefits Tax ends on 31 March 2008 and it is strongly recommended that if you have a deficiency in your logbooks - particularly in relation to the calculation of home to work travel and the like - it is time to recommence keeping a logbook so as to make certain of accurate calculations for your business and private travel.

Please feel free to contact us to discuss your requirements. If there is a problem with the past, there are special provisions for voluntary disclosure for Fringe Benefits Tax discrepancies providing it occurs before the ATO contacts you (although the general interest charge will normally apply).



## Motor Vehicle Logbooks

If you need to complete a new logbook for a motor vehicle you need to start now so your 12 weeks is finished in time for the end of the FBT year on 31 March 2008.

A new logbook must be completed every five years or if the pattern of use has changed.

Your logbook needs to contain the following information:

- When the logbook period begins and ends.
- The car's odometer readings at the start and end of the logbook period.
- The total number of kilometres that the car travelled during the logbook period.
- The number of kilometres travelled for work activities.
- The purpose of the travel.
- The business use percentage for the logbook period.

## OTHER HOT TOPICS

# CHRISTMAS PARTIES AND GIFTS

*With Christmas looming, many employers will be getting ready for their annual Christmas party, and thinking about what types of gifts to buy employees, clients, suppliers, etc.*

*However, an important issue to consider is the ATO 'back flip' on the \$300 minor benefit exemption which can save employers \$'000s.*

*Under the new approach, the ATO now accepts that different benefits are not added together when applying the <\$300 threshold. As such, a Christmas party and gift may be exempt from FBT, even if provided at the same time, as long as each costs less than \$300!*



### CHRISTMAS GIFTS

#### Gifts which ARE NOT considered to be entertainment

These generally include, for example:

- A Christmas hamper, a bottle of whiskey, wine, etc; and
- Gift vouchers, a bottle of perfume, flowers, a pen set, etc.

Briefly, the general FBT and income tax consequences for these gifts are as follows:

- Gifts to employees and family members - FBT payable (except where minor benefit exemptions applies - refer below) and a deduction is allowed.\*
- Gifts to clients, suppliers, etc. - no FBT, and a deduction is allowed.\*

#### Gifts which ARE considered to be entertainment

These generally include, for example:

- Tickets to attend a theatre, live play, sporting event, movie or the like; and
- A holiday airline ticket or admission ticket to an amusement centre.

Briefly, the general FBT and income tax consequences for these gifts are as follows:

- Gifts to employees and family members - FBT is payable and a deduction is allowed\*
- Gifts to clients, suppliers, etc. - no FBT and no deduction.

#### The minor benefit exemption

Generally speaking, where the value of a Christmas gift provided to an employee or family member is less than \$300, it will be exempt from FBT.

Surprisingly, for the purposes of the \$300 minor benefit threshold, the following tips should be considered:

- Where a gift is provided to both an employee and their family member, the gifts are applied separately to the \$300 threshold; and
- Where a gift is associated with a Christmas party (e.g., it is provided at the party), each benefit is applied separately to the \$300 threshold.

However, note that, if the minor benefit exemption applies to the provision of entertainment benefits to an employee, no deduction can be claimed.

*Note(\*): No deduction is allowed for any GST input tax credit that can be claimed.*

## Fringe Benefits Tax Audits

The Australian Taxation Office has recently announced a targeting of Fringe Benefits provided by Employers. Of special focus will be motor vehicles, especially vehicles provided by private companies and trusts to Directors and family members.

Many clients ignore their FBT obligations. If you own a motor vehicle in a company or a trust, you automatically have a FBT reporting requirement. Our FBT document mail out will be in February for the 2008 FBT year. If you have previously disregarded your FBT obligations, we urge you to complete the necessary paperwork this year.

### Important Dates

#### Take Note:

#### December 2007:

21st: November Monthly BAS

The staff at Mead Partners wish you a Merry Christmas and a prosperous 2008.

The office of Mead Partners will be closed from 12pm Friday 21st December 2007 and will reopen on Monday 14th January 2008.



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**Disclaimer:** The information in this newsletter is not intended to be a complete statement of law relating to issues raised. Accordingly, no person should rely on this information without first obtaining specific advice from our office.