

How the ATO flags potential FBT audits

Key tax return labels that can alert the ATO that an employer may have some FBT exposure.

The table shows the tax return labels that alert the ATO that a business may have some FBT exposure – this is merely the starting point when the ATO conducts a review. The next step the ATO will generally take is to obtain a copy of the employer’s financial statements.

DISCLOSURE ITEM	FBT RISK
Fringe benefit employee contributions	The disclosure of income at this label confirms that a benefit has been provided to an employee. This may prompt the ATO to check if an FBT Return was lodged and, if not, to query whether a return was required to be lodged.*
Contractor, sub-contractor and commission expenses	Reporting an amount at this label may prompt the ATO to investigate whether the employer has understated its FBT liability with regards to any fringe benefits provided to an employee it has incorrectly treated as an independent contractor.
Motor vehicle expenses	Reporting an amount at this label suggests that the employer may be providing some type of motor vehicle- related fringe benefits. This may prompt the ATO to check whether an FBT return was lodged. If not, the ATO may investigate whether a return is required.
Superannuation expenses	The disclosure of expenses at this label means that the business has one or more employees. The ATO may query whether benefits have been provided to employees and, if so, to check if they have been dealt with correctly for FBT purposes.
Total salary and wages expenses	The disclosure of expenses at this label means that the business has one or more employees. The ATO may query whether benefits have been provided to employees and, if so, to check if they have been dealt with correctly for FBT purposes.

As part of an FBT review, the ATO can access other databases to ensure employers are compliant EG accessing state government records to confirm all vehicles registered, purchased, leased or novated lease by an employer, ensuring these are properly accounted for in the financial statements and from an FBT point of view. The ATO can also access Toll / e-

Office
97 Tamar Street
PO Box 731
Ballina NSW 2478

Contact Us
P (02) 6686 3000
E mail@collinshume.com.au
ABN 35 670 434 379

* When an employee contribution is declared it does not mean an employer is required to lodge an FBT return. An FBT return is only required when an FBT liability arises, but it can be lodged as NIL to limit the ATO audit period to 3 years.

Some of the common expense codes that the ATO will review:

EXPENSE ACCOUNT
<p>Employee / Staff Amenities Employees typically provide staff with tea, coffee, milk, biscuits, etc. to consume at work. Such amenities are exempt from FBT where they are provided on a working day and consumed on business premises.</p>
<p>Advertising, Marketing & Promotion To boost business recognition and enhance their reputation, many businesses sponsor events. Where this sponsorship solely provides advertising benefits (e.g. signage and advertising rights) no FBT Issues will arise.</p>
<p>Travel Covering the cost for employees to undertake genuine business-related travel is not only fair, but completely reasonable. Further, the ATO has guidelines to allow employees to be compensated via a travel allowance to streamline the process to compensate employees that are required to travel for work purposes.</p>
<p>Donations General donations made to deductible gift recipients (DGR) are no issue at from an FBT perspective.</p>
<p>Motor Vehicle Motor vehicles are a common benefit provided to employees. Where a car is made available for an employee’s private use there will be no FBT if an ‘Employee Contribution’ is received from their after-tax income.</p>
<p>Motor Vehicle (Workhorse Vehicles) Motor vehicles not principally designed to carry passengers, such as dual cabs and panel vans, are exempt from the general FBT treatment of cars where any private use is minor and incidental to business travel. These cars are often referred to as Workhorse Vehicles.</p>
<p>Employee Loans Providing loans to employees will not automatically give rise to an FBT liability.</p>

It is important that employers remain compliant with their FBT requirements. The ATO has signalled their increased focus on FBT – to ensure your business is compliant, contact Collins Hume as soon as possible.