JUST TAX UPDATE

SALARY PACKAGING OPPORTUNITIES

NOTEBOOKS, PDAs & MOBILE PHONES

Salary packaging can provide significant benefits to employees particularly when these benefits are exempt from FBT. The provision of work tools like notebook computers, mobile phones and PDAs (Personal Digital Assistants) make enormous economic sense for employees and employers as all these are exempt from FBT provided they are primarily supplied for work purposes.

In this day and age, it is essential to be able to contact your employees whilst they are on the road and out visiting customers and clients. Provided the primary connection to employment is met, the employer can meet all mobile phone costs, including the phone itself, with no FBT impost on any private usage.

Notebook computers enable your staff to work anywhere and anytime including from home as the need arises. This is particularly important where employees try to balance work with family commitments. Apart from a limit of one notebook per year, there will be no FBT impost provided the notebook is provided as part of the employment of the employee. However, clearly the employee should use the computer partially for work purposes.

PDAs or palm pilots are another way of ensuring that your employees are continually in touch with your customers and office. They can receive and send their emails whilst out of the office. Again, as long as the PDA is provided for employment purposes, FBT will not apply.

In all cases, it is preferable to provide these benefits as an expense payment benefit. The employee meets the cost of the item personally and obtains a tax invoice in their own name. The employer reimburses the employee for the cost and obtains that tax invoice. The employer recovers the GST and the amount packaged is net of the GST. The employer writes the cost off in their accounts as an employee benefit expense.

Should you require assistance in arranging packaging for these items or want to know more details, please do not hesitate to contact us.

PACKAGING OF CARS – TIME TO MONITOR

KILOMETRES TRAVELLED	PERCENTAGE OF COST
0 - 14,999	26%
15,000 - 24,999	20%
25,000 - 40,000	11%
OVER 40,000	7%

A popular way to provide fringe benefits to employees is by packaging vehicles. However, some employees can easily get themselves into difficulty without even realising it. For example, if the statutory method is used, the employee is required to estimate their annual kilometres up front. The natural tendency is to over-estimate, thus a lower percentage is used when calculating the FBT element to be salary packaged (refer table). As the end of March draws near, the employee usually finds themselves doing one of two things, either organising "road trip" vacations and clocking up desperately needed kilometres, or saving for the inevitable repayment.

Imagine Peter leases a car with an FBT capital cost of $30,000. At the time, he estimates his annual kilometres will be 26,000, therefore his FBT liability is calculated to be $3,300 ($30,000 x 11%) which he salary sacrifices. Due to work commitments he doesn't get the chance to take those "quiet weekends away" he'd planned, and subsequently only manages 22,000 kilometres for the FBT year. Unfortunately this means he has gone up to the 20% category, and the FBT is now $6,000 ($30,000 x 20%). This is $2,700 more than what he's sacrificed over the year, and he will now have to negotiate with his employer to repay the amount.

To avoid this happening, one solution is to monitor the kilometres travelled in packaged cars during the FBT year. As at 31st October, 7 of the 12 months have been completed. Therefore to complete over 25,000 kilometres in the year, the employee should have completed approximately 14,500 by then. If they are well below the mark, remedial action can be taken now including:-

- Re-arranging the salary package for the remaining part of the year to cover any potential shortfall.

- Suggest that the employee goes on a long driving holiday between now and 31st March to help catch up the kilometres.

Employers should be wary of employees falsifying records in relation to kilometres travelled for FBT calculations. It is the employer who has the tax liability and service invoices and other car records usually catch out these practices. If the employee has changed jobs, there is no way of recouping this tax from the employee.

We strongly recommend against sharing of cars between low kilometre drivers and high kilometre drivers. As these fringe benefits are reportable on the employee payment summaries, sharing benefits like cars only leads to major issues and disputes on the value of the benefit reported for each employee on their payment summary.

TAXI TRAVEL FOR YOUR STAFF

Since 1st April 1997 certain taxi travel has been exempt from FBT. Provided the trip is undertaken by an employee as an employee, starts or finishes at the employee's workplace, and is a single trip, it is exempt from FBT. Employees of home based businesses can only receive the exemption if the trip is employment related. Irrespective, this concession provides wonderful planning opportunities including:-

- Providing taxi vouchers for employees working overtime.
- The ability of employees who live close to work to dispose of their car and use and package taxis as alternative transport, as they will only need to pay FBT on private taxi travel.
- Providing taxi vouchers to staff after social functions held at the work premises to ensure they get home safely.

We can assist with arranging packaging of these costs should you wish to pursue this opportunity.

PAYROLL TAX CHANGES FROM 1 JANUARY 2005

Effective 1 January 2005 the payroll tax liability for persons working under employment agency contracts will shift from the client of the agency to the agency itself. All employers currently registered for payroll tax in Victoria will receive a bulletin from the State Revenue Office during November informing them of the amendments to the Act. The bulletin can also be accessed at:-

http://www.sro.vic.gov.au/sro/srowebsite.nsf/revenue/FEBDC32730F4DB9ECA256F3200192473/$File/publication-PTX-036.pdf.

This will probably require the renegotiation of contractor arrangements due to the additional cost of payroll tax being borne by the employment agent.

Employers using agency staff will also need to remember to exclude payments from their payroll tax reconciliations from the 1st January 2005 onwards to avoid double payment of tax.