

# FBT Audit Hot Spots For 2020

The due date for lodgement and payment of the 2020 fringe benefits tax (FBT) return has been extended to 25 June 2020 for all employers.

The ATO has identified several areas that will form part of its FBT compliance focus for 2020 including the following:

## 1. Motor vehicles

The ATO's continued focus is on the private use of vehicles. Employers should be aware that both the actual private use of a motor vehicle and its availability for private travel are considered fringe benefits.

Specifically, the ATO is concerned with situations where employers:

- fail to identify or report car fringe benefits;
- incorrectly apply the FBT exemption for "workhorse vehicles" (e.g. by applying it to ineligible vehicles or by treating all travel as being work-related); and
- incorrectly claim reductions in taxable value without the appropriate records to support the reduction.

When applying an exemption to eligible commercial or workhorse vehicles (e.g. utes), employers should ensure that the principles contained in [Practical Compliance Guideline 2018/3](#) are applied correctly and appropriate evidence is maintained to demonstrate that the private use of the vehicle is 'minor, "irregular and infrequent"'.

## 2. Car parking

The ATO is focused on identifying situations where car parking fringe benefits are incorrectly calculated because they are based on:

- market valuations that are significantly discounted;
- parking rates that are not representative of commercial parking in the area; and
- parking rates that are not supported by adequate evidence.

## 3. Entertainment

It is common for employers to provide employees or their associates food, drink, gifts, or recreation activities throughout the year. What is often overlooked is that these benefits (such as Christmas parties or business lunches) may attract a FBT liability.

The ATO is reviewing situations where entertainment is provided and:

- expenses are claimed by the employer as a tax deduction without correctly reporting them as a fringe benefit; or
- expenses are classified as sponsorship or advertising where there is an entertainment aspect to the activity.

Another issue of concern identified by the ATO is that some employers (and their tax practitioners) mistakenly believe that an FBT liability can be avoided simply by deciding not to claim a tax deduction for the relevant expenditure.

Employers should maintain detailed records throughout the year of the entertainment provided to employees and their associates to ensure the correct expenses are reported to the ATO, as well as minimising the FBT liability by applying the relevant exemptions where appropriate.

## **4. Employee contributions**

Employee contributions are an effective strategy to reduce the taxable value of fringe benefits.

The ATO will continue to monitor and data match the amount of employee contributions disclosed on the FBT return to the amount that has been included in the employer's tax return.

The ATO will also check that any GST on employee contributions has been appropriately accounted for.

## **5. Other areas of concern**

Other issues that will be on the ATO's radar for 2020 include:

- not reporting fringe benefits on business assets provided for the personal enjoyment of employees or associates;
- not keeping proper logbooks to determine the business use of cars;
- not keeping the required employee declarations or ensuring they have been signed and received by the time that the FBT return is due. e.g. when an employee declares that there is no private use of a fringe benefit provided;
- not lodging FBT returns (or lodging them late) to delay or avoid payment of tax; and not keeping source documents and travel diaries in order to substantiate travel claims