

Tax News - October 2019

By Leo Hollestelle, Tax Specialist & Accountant

Fringe benefits tax - road tolls

There is no separate FBT category for road tolls. The types of fringe benefits that may arise are either:

- expense payment fringe benefits – where you pay for, or reimburse, an employee's expenditure on road tolls
- residual fringe benefits – where you allow an employee to use your electronic toll tag.

Fringe benefits may also arise when a road toll benefit is provided to an associate of your employee.

Road tolls incurred solely for business purposes are otherwise deductible and are not subject to FBT. You do not need to have employee declarations where the road tolls are incurred solely for business purposes and you own or lease the vehicle.

Where you have a policy, which you enforce, that restricts the private use of cars, you can take those restrictions into account when determining whether road tolls are incurred for your business purposes. You must keep records, such as a logbook or diary records as referred to below, that substantiate the extent to which the benefit provided would have been 'otherwise deductible' to the employee.

If the value of the road toll is less than \$300 and it would be unreasonable to treat the benefit as a fringe benefit, the minor benefits exemption will apply. The ATO gives an example of a car that is used 10 times in a year.

When an exempt vehicle (for example, a panel van or a utility truck) is not salary packaged, the Commissioner will accept that any road toll benefits you provide will not be subject to FBT. This is because exempt vehicles are generally provided for work travel of the employee and any private use is minor, infrequent and irregular. Any associated benefits such as road tolls would be considered to be for business purposes and otherwise deductible.

Where an exempt vehicle is provided under a salary packaging arrangement, FBT would be payable on any road toll benefits that relate to private travel unless another exemption or concession applies.

Where it is difficult for you to work out an employee's expenditure on road tolls for a pool car, you can determine the employee's usual private road toll expenditure in a normal working week and apply this to the employee's working year. You can use evidence such as electronic tag records, running sheets and employee attendance records to support your calculation.

Cash transactions limit of \$10,000

In the 2018-19 Budget, the Government announced it would introduce an economy-wide cash payment limit of \$10,000 for payments made or accepted by businesses for goods and services. Transactions equal to, or in excess of this amount would need to be made using the electronic payment system or by cheque. The Black Economy Taskforce recommended this action to tackle tax evasion and other criminal activities.

The Government has released for public consultation exposure draft legislation, Currency (Restrictions on the Use of Cash) Bill 2019 and accompanying explanatory material to implement the economy-wide cash payment limit from 1 January 2020 and for certain AUSTRAC reporting entities from 1 January 2021.

Capital allowances: low-cost assets

The capital allowances threshold rule allows businesses to claim an immediate deduction for expenditure of \$100 or less to buy tangible assets.

This tax administrative rule is meant to help you save time because you don't need to decide whether each purchase is of a revenue nature (and so immediately deductible) or of a capital nature (usually written-off over time).

Purchases of a revenue nature normally mean that you expect the item to be consumed, damaged or lost within a short period of time while purchases of a capital nature generally result in the item or asset being used over a longer period.

Separate, more generous, rules apply if you are using the simplified depreciation rules for small businesses.

Non-tax deductible wages

Businesses can no longer claim tax deductions for payments to workers if they have not met their pay as you go (PAYG) withholding obligations. This applies to income tax returns lodged for the 2020 income year onwards.

Businesses will only lose their deduction if no amount is withheld or reported to the ATO, unless they voluntarily disclose this before the ATO examines their affairs.

This measure aims to level the playing field for honest businesses doing the right thing by their workers. It is part of the government's response to recommendations from the Black Economy Taskforce.

Expansion of taxable payments reporting

The ATO has recently released Law Companion Ruling [LCR 2019/4](#) - Expansion of the taxable payments reporting system to road freight, security, investigation or surveillance, and information technology services.

The reporting requirements will apply to such payments made on or after 1 July 2019, unless a reporting exemption applies.

Suppliers of relevant services must report any payments made to contractors if:

- the supplier has an Australian business number (ABN)
- the payment is wholly or partly for providing that service on their behalf, and
- a reporting exemption does not apply to them (see Appendix 1 of this Ruling).

Contractors (or sub-contractors) include sole traders (individuals), companies, partnerships and trusts. The identity of the recipient (of the service) is not a relevant factor in determining whether a reporting obligation applies.

You are required to report the total payments you make to contractors in the income year in which the payments are actually made (cash basis).

Fringe benefits tax - home phone and internet expenses

It's quite common for employers to pay a third party or reimburse their employees for home phone and internet costs. This may result in an expense payment fringe benefit.

The ATO has updated its Fringe benefits tax guide for employers to clarify how to work out the taxable value of the fringe benefit and the evidence you need to support it.

Working out the taxable value of the fringe benefit will depend on both:

- the amount you pay a third party or reimburse your employee
- the percentage of the business use of the phone and internet the employee would otherwise be entitled to claim as an income tax deduction.

There are different substantiation requirements depending on the amount you pay or reimburse your employee for home or internet costs during the fringe benefits tax year.

Where the payment or reimbursement of home or internet costs:

(i) Is up to \$50

- limited documentation needs to be retained by the employee who should be able to explain the connection between employment and expenses incurred by the employee
- your employee will need to provide a declaration to you detailing the percentage of business use

(ii) Exceeds \$50

- you and your employee must keep records of the actual expenses
- your employee will need to provide a declaration to you detailing the percentage of business use and the purpose of incurring the expense

Goods taken from stock for private use by business owners

The ATO each year issues a Determination which outlines the amounts that are acceptable as estimates of the value of goods taken from trading stock for private use by business owners (including their associates) in certain industries who operate as sole traders or in partnership. The relevant amounts need to be included in the assessable income of the individual for the year..

Note that an adjustment for the GST credits claimed in relation to these amounts also needs to be made