

Fringe Benefits Tax

Council Policy 133



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Policy Number	CP133
Responsible Directorate/Department	Corporate Services - Financial Management
Regional Plan Reference	4. A Supportive Organisation
Minutes Reference	Ordinary Council Meeting Item 13.1
Last Reviewed	April 2018
Next Review Date	November 2021 - Review every four (4) years or after changes to relevant legislation

1. Purpose

To ensure clarity regarding the availability of and respective responsibilities of both staff and Council, relating to fringe benefits enjoyed by employees of MacDonnell Regional Council (MRC).

2. Scope

This policy applies to all MRC staff, and those deemed to be employees for taxation purposes, involved in fringe benefit related activities and transactions.

3. Objectives

The objective of this policy is to outline how MRC manages fringe benefits and complies with the relevant taxation laws in relation to Fringe Benefits Tax (FBT).

4. Statement

4.1. Definitions and Acronyms Term/Acronym

Definitions and Acronyms Term/Acronym	Definition
ATO	Australian Taxation Office
Employee	For FBT purposes this includes past, current and future employees
Fringe Benefits Tax (FBT)	Personal benefit received by employees and associates that is not remuneration Taxation liability to be paid by an employer in providing fringe benefits to employees and associates

4.2. Fringe Benefits

4.2.1. The FBT year runs from 1 April to 31 March.

4.2.2. A fringe benefit is regarded as any form of employee benefit other than salary or wages which would otherwise be subject to income tax.

4.2.3. FBT arises where a benefit is provided in respect of the employment of an employee. The term 'benefit' is broadly defined and includes any rights, privileges, or services.

4.3. Council Requirements

MRC is required to:

4.3.1. analyse all transactions entered into by the Council to determine the application of fringe benefits and FBT;

4.3.2. record the value of fringe benefits provided to all employees within the FBT year;

Fringe Benefits Tax

Council Policy 133



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- 4.3.3. report and pay FBT liability to the Australian Taxation Office (ATO) as part of the quarterly Business Activity Statement (BAS) lodgement and annual FBT return; and
- 4.3.4. MRC will manage FBT in accordance with:
 - 4.3.4.1 Fringe Benefits Assessment Act 1986; and
 - 4.3.4.2 ATO rulings, guidelines and interpretations.
- 4.3.5 MRC will maintain adequate records for its self- assessment of FBT liability for five (5) years following a submitted FBT return.

4.4. Employee Responsibilities

- 4.4.1. MRC Employees that incur fringe benefits expenditure are responsible for:
- 4.4.2. Assessing the total cost of an applicable benefit before it is provided;
 - 4.4.2.1 demonstrating that the total cost is appropriate and reasonable in the circumstances;
 - 4.4.2.2 seeking authorisation where the total cost is outside their financial delegation; and
 - 4.4.2.3 maintaining and submitting the appropriate supporting documentation with payment requests as specified in the Fringe Benefits Tax Guidelines.
- 4.4.3. Authorisers of fringe benefits expenditure are responsible for ensuring that the expenditure is appropriate and reasonable in the circumstances and properly supported by complete documentation.
- 4.4.4. Finance Department is responsible for the preparation, lodgement to the ATO, recordkeeping, and payment of the quarterly instalments and annual FBT return.

4.5. Salary Sacrificing

- 4.5.1. Employees may, by written agreement, enter into a salary packaging arrangement for the following agreed items:
 - 4.5.1.1 additional superannuation over and above the Superannuation Guarantee Charge (SGC) up to a maximum of 3 per cent;
 - 4.5.1.2 50 per cent of remote housing rentals; and
 - 4.5.1.3 novated leases for motor vehicles.
- 4.5.2. MRC handles the administration of 4.5.1.1 but a separate provider deals with 4.5.1.2 and 4.5.1.3 with the proviso that MRC incurs no liability for FBT and in the unlikely event of FBT applying, then the Employee is responsible for the cost of the FBT incurred.
- 4.5.3. Any arrangement must comply with relevant taxation laws and must not result in the employer incurring fringe benefit or any other tax.
- 4.5.4. Any FBT arising out of Salary Sacrifice arrangements will be the responsibility of the employee not the employer.

Fringe Benefits Tax

Council Policy 133



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4.6. Records Management

- 4.6.1. Records and information that support these activities will be created, managed and retained in accordance with the Records Management Policy, procedures and guidelines.

4.7. Variation

- 4.7.1. The Council or the employee may at any time vary or terminate the salary sacrifice arrangement.
- 4.7.2. Cancellation will occur in situations where the applicable legislation has changed or an employee is no longer employed by MacDonnell Regional Council. However the Council or employee's right to vary or terminate the arrangement is not limited to these situations.

5. Legislation and Reference

Related Legislation	Fringe Benefits Assessment Act Local Government Act (NT) Local Government Accounting Regulations (NT) Australian Accounting Standard Related Party Disclosures AASB124
Related Policies	CP116 Records Management Policy
Related Procedures	
Associated Documents	

6. Delegation and Implementation

Delegate	Director Corporate Services
Implementation Officer	Manager Finance

7. Administration

eDRMS Doc Id	150287 (word)
On Internet (Council Policy)	21 May 2018

8. Version Control

Version No	Date Changed	Modified By	Details and Comments
1.0	February 2018	B Lysaght J Barbour	New Policy Format