



Australian Government

**Office of the Australian Building and
Construction Commissioner**

Finance Direction 14

Taxation

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Change History

Update the following table as necessary when this document is changed:

| Date | Nature of Change |
|---------------|--|
| June 2007 | Procedure Drafted |
| December 2007 | Approved version |
| April 2010 | Update following revised administrative arrangements for FBT |
| January 2011 | Position titles amended |
| August 2011 | Procedure Updated for New Organisational Structure |

Table of Contents

| | |
|---|-------------------------------------|
| 1. Commissioner’s Instruction (CI) | 3 |
| 2. Introduction & Objectives | 3 |
| 3. Supporting Information | 3 |
| 3.1 Related References & Pronouncements | 3 |
| 3.2 Responsible Officers and Contacts | 3 |
| 3.3 Forms..... | 3 |
| 3.4 Definitions & Terms..... | 4 |
| 3.5 Helpful Hints..... | Error! Bookmark not defined. |
| 4. Guidelines | 4 |
| 4.1 Goods and Services Tax (GST)..... | 4 |
| 4.2 Fringe Benefits Tax (FBT) | 5 |

1. Commissioner's Instruction (CI)

A Delegated Official is to ensure that the ABCC meets its obligations under the Commonwealth Fringe Benefits Tax and the Goods and Services Tax legislation.

2. Introduction & Objectives

The purpose of this procedure is to provide guidance regarding the ABCC's taxation obligations to the Australian Tax Office (ATO) for Goods and Services Tax (GST) and Fringe Benefit Tax (FBT).

GST is applicable to goods and services provided by a registered supplier. ABCC mainly claims input tax credits from the ATO. FBT is a tax on benefits provided to an employee in respect of the employee's employment.

3. Supporting Information

3.1 Related References & Pronouncements

| | |
|------------------------------------|---|
| FMA Act 1997: | <ul style="list-style-type: none"> Section 44 |
| FMA Regulations: | <ul style="list-style-type: none"> N/A |
| Related Finance Directions: | <ul style="list-style-type: none"> |
| Other References: | <ul style="list-style-type: none"> Finance Circular 2004/04 'Guidance on GST and employee entitlements.' ANAO Better Practice Guide: Goods and Services Tax (GST) Administration, 2003. |

3.2 Responsible Officers and Contacts

| Position/Title | Level | Responsibility |
|--|---------|---|
| Chief Financial Officer (CFO) | SES1 | Overall responsibility for overseeing the Taxation function. Responsible for approving annual FBT estimate and FBT return. |
| Accounting Services | Various | Responsible for preparation of annual FBT estimate and return. Responsible for preparation of GST returns. |
| Executive Director, People, Learning and Culture | SES1 | Responsible for reporting FBT on employee Payment Summaries. |

3.3 Forms

The following forms are required:

| Report/Form: | Contact | Location: |
|--|------------|-----------|
| Finance Manual – Business Activity Statement (BAS) Preparation | Accountant | |

3.4 Definitions & Terms

| Term | Definitions |
|----------------------------------|---|
| Australian Business Number (ABN) | Australian Business Number (ABN) is the business identifier for dealings with ATO and other government agencies. |
| Employee/Employers | An employee is someone in receipt of salary and wages from the ABCC. |
| Fringe Benefit | A benefit which is provided to employee in respect of employment. |
| Fringe Benefit Tax | A tax payable by employers in respect of fringe benefits provided by those employers to employees. |
| Goods and Services Tax (GST) | Tax of 10% collected on behalf of the Australian Tax Office (ATO) on goods and services supplied. |
| Input tax credits/claims | An entitlement to a GST credit for the GST included in the price of purchases made by your business. |
| Tax Invoice | A tax invoice is a document generally issued by the seller. It shows the price of a sale, indicating whether it includes GST, and may show the amount of GST. |

4. Guidelines

4.1 Goods and Services Tax (GST)

4.1.1 Goods and services are subject to GST and appropriate documentation must be obtained from the GST registered supplier before any payment is made. The ABCC is entitled to claim for input tax credits and recover from the ATO an amount equal to the GST paid to the supplier.

4.1.2 Criteria to qualify for GST input tax claim:

- Organisation claiming input tax must be registered with ATO for GST;
- GST exclusive value is \$75 or less - Provision of supporting documentation, for example an invoice, receipt or diarised record, to substantiate the claim;
- GST exclusive value is more than \$75 – Obtain tax invoice from registered supplier. At a minimum the tax invoice must contain the following:
 - Name of supplier (or supplier's agent);
 - Address or ABN of supplier (or supplier's agent);
 - Date of issue;
 - If the GST payable on the taxable supply is equal to 1/11th of the GST-inclusive price- either:
 - the GST-inclusive price of the taxable supply and a statement indicating that the price of the taxable supply includes the amount of GST; or
 - the amount of GST;
 - If the GST payable on the taxable supply is less than 1/11th of the GST-inclusive price - the amount of GST.

- 'GST-only' invoice is not a valid tax invoice and should not be paid.
 - Corporate credit card statements can be used as a tax invoice to substantiate a claim.
- 4.1.3 The ABCC prepares a Business Activity Statement (BAS) on a monthly basis and files it electronically via ATO online. The Accountant prepares the BAS return and it is independently reviewed by the Chief Financial Officer prior submission to the ATO.

4.2 Fringe Benefits Tax (FBT)

4.2.1 A Fringe Benefit is a benefit which is provided to an employee in respect of the employee's employment. ABCC's fringe benefits are accounted for by the Accounting Services Team.

4.2.2 The Fringe Benefits provided could be used for both private and work-related purposes.

- Otherwise Deductible Rule – Benefit provided is reduced to the extent that the employee would have obtained a once-only deduction for income tax purposes had they borne the relevant expenditure themselves. Employees must sign an FBT declaration in order for the ABCC to claim the portion that is Otherwise Deductible.
- Use of ABCC's equipment (eg. PC) by staff will be calculated based on a default 30% private use or they can make a declaration with Accounting Services for a different amount.

4.2.3 The examples below illustrate what is not a fringe benefit:

- Salary & Wages;
- Allowances (which are subjected to income tax);
- Superannuation fund contributions;
- Eligible Termination Payments;
- Relocation expenses; and
- Exempt Benefits
 - Benefits of less than \$300 which are infrequently provided or/and difficult to record;
 - One notebook computer, laptop computer or similar portable computer;
 - Mobile or car phone provided primarily used in employee's employment;
 - A briefcase and/or a calculator;
 - A tool or trade;
 - Computer software for use in the employee's employment;
 - An electronic diary or similar item;
 - A subscription to a trade or professional journal;
 - Entitlement to use a corporate credit card;
 - Entitlement to use airport lounge memberships;
 - Newspapers and periodicals provided for work-related purposes;
 - Taxi travel provided by employers beginning and ending at employee's place of work, or for sick employees for travel home or to doctor;
 - Emergency assistance, for example food, clothing and shelter at time of emergency; or
 - Car Parking for disabled employees.

4.2.4 Fringe Benefits categories include:

| Fringe Benefit | Description |
|--------------------|---|
| Car | Arises when a car is leased or owned by the employer and made available for private use by the employee. |
| Loan | A loan provided to an employee with low or no interest charged. |
| Expense Payment | <p>May arise in either:</p> <ul style="list-style-type: none"> ■ Employee receives reimbursement for expenses incurred; and/or ■ Employer pays a third party for an expense incurred by an employee. <p>Examples of expense payments include FEE-HELP, work related course fees, short-term car hire, telephone, broadband and health and fitness reimbursements.</p> |
| Car Parking | <p>Provision of car parking facility on business premises to an employee and:</p> <ul style="list-style-type: none"> ■ There is a commercial parking station within one kilometre that charges more than the parking threshold for all day parking (\$7.25 for 2009/10); ■ The car is parked for more than 4 hours on the business premises between 7am and 7pm on a particular day; ■ Employee is provided or made available with the car fringe benefit, is owned or leased by the employee or an associate; ■ Provision of car parking facility in respect of employment; ■ The car is used between employee's private residence and place of employment. |
| Meal entertainment | <p>The provision of meal entertainment arises where:</p> <ul style="list-style-type: none"> ■ Food or drinks provided as a way of entertainment; ■ Accommodation or travel provided in connection with, or for the purposes of, facilitating entertainment; or ■ Payment or reimbursement of expenses incurred in providing something covered in either of the above. <p>For more information relating to meal entertainment, refer to ATO ruling TR97/17 and Addendum. Please note that ABCC is a tax-exempt body.</p> |

4.2.5 The HR and Finance teams are the co-process owners of the FBT process. The specific responsibilities are documented below.

4.2.6 The HR team responsibilities include:

- Collect 'Otherwise Deductible' declarations from employees in relation to Supported Study and training FBT expense items;
- Obtain FBT declarations from departing employees and send copies to Accounting Services;
- Prepare Employee Payment Summaries from the FBT Summary Report.
- Liaise with SMB to obtain Salary Packaging reports and Otherwise Deductible declarations as required.

4.2.7 Accounting Services responsibilities include:

- Review expense payments that attract FBT and ensure completeness and accuracy of fringe benefits data uploaded into SAP;
- Collect 'Otherwise Deductible' declarations from employees for FBT expense items, principally Professional Subscriptions and Landline/Broadband services. Note: The PLC Team are responsible for collecting 'Otherwise Deductible' declarations for Supported Study and training and those relating to Salary packaging;
- Liaise with DEEWR, as fleet manager, to obtain SES Vehicle Lease reports;
- Liaise with PLC to obtain SMB Salary Package reports;
- Prepare annual FBT estimate and submit to CFO for approval;
- Make quarterly FBT payments to the ATO;
- On receipt of CFO approval, prepare annual FBT returns/adjustments and submit electronically to the ATO;
- Prepare Reportable Fringe Benefit Notifications;
- Prepare FBT Summary Report and forward to PLC; and
- Maintain appropriate records to enable the FBT liability to be assessed in the case of an audit.

4.2.8 Business Services responsibilities include:

- Checking Professional Subscriptions and Landline/Broadband invoices against list maintained by Accounting Services. Where invoice is not supported by appropriate declaration Business Services forwards invoice to Accounting Services for collection of relevant declaration and list update; and
- Payment by credit card or EFT when invoice supported by declaration, as per the maintained list.

4.2.9 For taxation purposes, fringe benefits are calculated using the grossed-up method with two different rates. The rates used are dependent on the whether there is an entitlement to GST input tax credits in relation to the benefit. For details in the calculation of FBT, refer to Finance Manual – Calculation of FBT.