



Payroll Tax

Fringe Benefits

Pay-roll Tax Assessment Act 2002

As at 28 June 2017

What are fringe benefits?

A fringe benefit under the *Fringe Benefits Tax Assessment Act 1986* ('FBTA Act') is a benefit provided by the employer, an associate of the employer, or by a third party (under an arrangement with the employer) and which is supplementary to the employee's regular remuneration. The provision of a benefit can be made either to an employee or to an associate of an employee. Fringe benefits may relate to:

- a car;
- a loan;
- a debt waiver;
- an expense payment;
- only the part of a living away from home allowance that is a taxable fringe benefit.
- housing;
- airline transport;
- board (including meal);
- a property;
- entertainment;
- car parking;
- a tax exempt body;
- residual benefits;

Queries concerning the application of the FBTA Act to particular benefits should be addressed to the Australian Taxation Office ('ATO').

Fringe benefits liable to payroll tax

The ATO's fringe benefits tax ('FBT') base has only partly been adopted for payroll tax purposes.

Under the FBTA Act, the *otherwise deductible rule* operates to reduce the taxable value of a benefit provided to an employee by the amount of the income tax deduction that the employee would have been entitled to claim had the employee borne the cost of providing the benefit. The otherwise deductible rule is not added back when calculating the value of fringe benefits for payroll tax purposes.

Remote area fringe benefit exemptions

Remote area fringe benefits, as defined in the FBTA Act, are exempt benefits for FBT purposes when they are 'fly in fly out' transport and accommodation, and have a concessional treatment for housing, residential fuel and holiday travel provided to employees in remote areas.

For payroll tax purposes, 'fly in fly out' arrangements are not included as wages.

In relation to remote area fringe benefit payments, full exemptions are provided for residential fuel (such as electricity and gas), housing assistance, domestic water, holiday transport¹ and education costs.²

Declaration of fringe benefit amounts for payroll tax purposes

Employers are required to declare the *actual taxable value* of fringe benefits provided in each return period (see example 1).

However, under the PTA Act, an employer may elect to return fringe benefits using the *estimated method* based on the value of the actual fringe benefits as shown on the FBT return for the FBT year immediately preceding the current financial year. This election can only be made where the employer has been paying fringe benefits tax on Western Australian benefits to the ATO for at least fifteen months prior to the commencement of the financial year. Form PRT4 '[Election Form: Fringe Benefits Estimated Method](#)' must be lodged with the Commissioner no later than the due date of the first payroll tax return of the first financial year in which the estimated basis is to be used.

Using the estimated method, employers registered for monthly return lodgment declare one twelfth of the adjusted value of WA fringe benefits provided in each monthly payroll tax return from July to May, with a fringe benefits reconciliation in the June payroll tax return of each financial year. The June payroll tax return should include the difference between the adjusted value provided in the FBT year (ending 31 March) immediately before the June return, and the total amount of fringe benefits included in the payroll tax returns for each of the 11 preceding months. See example 2 below and form FPRT3 '[Worksheet: Fringe Benefits Reconciliation](#)'.

Employers registered for payroll tax annual lodgment must declare the adjusted value of WA fringe benefits for the FBT year that ends immediately before the June return. For audit purposes, a worksheet must be prepared and retained for each reconciliation.

It is important to note:

- all returns for a financial year must be made on the same basis, that is, either all estimated or all actual;
- change from actual to estimated value method requires lodgment of an election form;
- change from estimated to actual value method or vice versa can only occur with effect from 1 July of each year; and
- change from estimated to actual value method requires notification in writing to the Commissioner as well as completion of an adjustment calculation to account for the change for inclusion in the final return under the estimated method. See examples 3 and 4.

¹ Limited to the cost of the return economy airfare to the capital city of their work place, when the employee does not travel back to their hometown or that capital city.

² Limited to the educational costs of an employee's dependant that is required to live away from home in order to attend on a full-time basis, a primary, secondary or tertiary institution that is not within a reasonable distance of the remote place at which the employee performs services.

Example 1 - actual method

ABC Pty Ltd lodges payroll tax returns on an annual basis.

Calculation of taxable value of fringe benefits July 2016 to June 2017

Fringe benefits for year ended 30 June 2017	Type 1	Type 2
WA fringe benefits before gross-up	50,000	100,000
Less: additional remote area exemption	- Nil	5,000
Before gross-up	50,000	95,000
Total of type 1 and type 2 benefits		145,000
Grossed-up at type 2 rate – 1. 9608		284,316

The amount of \$284,316 is the payroll tax taxable value. All benefits have been grossed up using the type 2 benefit rate.

Example 2 - estimated method - calculation of monthly declarations and June reconciliation adjustment

DEF Pty Ltd is registered on a monthly basis and has elected to use the estimated method for calculating the fringe benefits amount to be declared in payroll tax returns in WA with effect from 1 July 2016. DEF Pty Ltd provided WA fringe benefits of \$120,000 (\$50,000 type 1 benefits and \$70,000 type 2 benefits) in the FBT year ending 31 March 2016.

For the year ending 31 March 2017, DEF Pty Ltd provided WA fringe benefits of \$190,000 (\$60,000 type 1 benefits and \$130,000 type 2 benefits) in the FBT year.

Calculation of monthly declarations July 2016 to May 2017

	Type 1	Type 2
Fringe benefits taxable value 31 Mar 2016	50,000	70,000
Less: additional remote area exemption		- 5,000
SUBTOTALS	50,000	65,000
Total of type 1 and type 2 benefits		115,000
Grossed-up at type 2 rate (1. 9608)		225,492

The *monthly amount* for declaration on payroll tax returns for July 2016 to May 2017 is $\frac{1}{12}$ of \$225,492 = \$18,791.

June 2017 reconciliation adjustment

	Type 1	Type 2
Fringe benefits taxable value 31 Mar 2017	60,000	130,000
Less: additional remote area exemption		- 5,000

SUB TOTALS	60,000	125,000
Total of type 1 and type 2 benefits		185,000
Grossed-up at type 2 rate (1. 9608)		362,748
Subtract: amount declared in returns July 2016 to May 2017 (\$18,791 x 11)		206,701
Equals: amount to be declared in June 2017 return		156,047

The amount of \$156,047 should be declared in the June 2017 payroll tax return.

Calculation of monthly declarations July 2017 to May 2018

	<i>Type 1</i>	<i>Type 2</i>
Fringe benefits taxable value 31 Mar 2017	60,000	130,000
Less: additional remote area exemption		- 5,000
SUB TOTALS	60,000	125,000
Total of type 1 and type 2 benefits		185,000
Grossed-up at type 2 rate (1. 9608)		362,748

The *monthly amount* for declaration on payroll tax returns for July 2017 to May 2018 is $\frac{1}{12}$ of \$362,748, = \$30,229.

Estimated method – final return adjustment

Where an employer has been declaring fringe benefits under the estimated method and:

- the liability to payroll tax is to cease; or
- a change to the actual method is to occur,

an adjustment calculation **must** be undertaken to identify the amount to be included in the final return. This adjustment accounts for the difference between payroll tax paid under the estimated method and the payroll tax that should have been paid on the actual value of the fringe benefits provided.

The formula for this adjustment is the difference between:

(a) the total of:

- WA fringe benefits for the FBT year that ends in the financial year in which the final payroll tax return falls; and
- Actual WA fringe benefits for April, May and June of the financial year (if any);

and

(b) the total of:

- $\frac{1}{4}$ of the WA fringe benefits for the FBT year that ends in the first financial year in which the estimated value method was last elected to be used; and
- The total of WA fringe benefits included in returns for the financial year.

Example 3 - estimated method - final return - where employer ceases between April and June

- employer ceased 30 June 2017
- first year on estimated method 2014/15
- adjusted WA fringe benefits for FBT year 31 March 2015 \$24,000
- adjusted WA fringe benefits for FBT year 31 March 2016 \$48,000
- adjusted WA fringe benefits for FBT year 31 March 2017 \$72,000
- actual WA fringe benefits April 2017 to June 2017 \$20,000

	\$	\$
WA fringe benefits for FBT year 31 March 2017	72,000	
WA fringe benefits for April, May and June 2017	<u>20,000</u>	92,000
Less:		
<i>¼ WA fringe benefits for FBT year 31 March 2015 (¼ of \$24,000)</i>	6,000	
<i>WA fringe benefits included in payroll tax returns</i>		
<i>July 2016 to May 2017 (11 x 1/12 x \$48,000)</i>	44,000	-50,000
<i>Amount to be declared in final return i.e. June 2017 return</i>	<u> </u>	<u>42,000</u>

Example 4 - estimated method - final return - where employer ceases between July and March

- employer ceased 31 August 2016
- first year on estimated method 2014/2015
- adjusted WA fringe benefits for FBT year 31 March 2015 \$24,000
- adjusted WA fringe benefits for FBT year 31 March 2016 \$72,000
- actual WA fringe benefits April 2016 to August 2016 \$40,000

	\$	\$
WA fringe benefits for FBT year that ends in the financial year in which the final payroll tax return falls (i.e. for period 1 April 2016 to 31 August 2016)	40,000	
WA fringe benefits April, May and June of the FBT year 1 April 2016 to 31 March 2017	Nil	40,000
Less:		
<i>¼ WA fringe benefits for FBT year 31 March 2015 (¼ of \$24,000)</i>	6,000	
<i>WA fringe benefits included in payroll tax return July 2016 (1/12 x \$72,000)</i>	6,000	-
<i>Amount to be declared in final return i.e. August 2016 return</i>	<u> </u>	<u>12,000</u>
		28,000

Where a final return adjustment is required, employers must prepare and retain a worksheet for audit purposes. An example is provided at the end of this fact sheet.

Australian Taxation Office rulings

The Commissioner will generally adopt relevant rulings issued by the ATO except in respect of the differences between the FBT and payroll tax bases outlined in the 'Fringe Benefits Liable to Payroll Tax' section of this fact sheet.

Australian Taxation Office assessments

Where an assessment or amended assessment is issued by the ATO in respect of FBT, the Office of State Revenue must be notified in order that the necessary adjustments to payroll tax assessments can be carried out.

Record keeping

Employers are required to comply with the following record keeping responsibilities:

- make and retain records to support the calculation of the value of fringe benefits included or to be included in payroll tax returns;
- retain other documents and records used for the purposes of that calculation;
- retain a record of the adjusted value of WA fringe benefits for the FBT year that ends in the financial year in which the estimated method was first used, until five years after ceasing to declare payroll tax on fringe benefits under the estimated method; and
- in all other cases records must be kept for five years.

Other benefits liable to payroll tax (specified taxable benefits)

Although not fringe benefits under the FBTA Act, *specified taxable benefits* are contributions by an employer to an industry redundancy fund or a portable long service leave fund. The liability of specified taxable benefits is outlined in the 'Wages Definition' fact sheet.

As payroll tax declarations of specified taxable benefits are required to be made on the basis of the actual benefit provided to, or in relation to, an employee during a return period, these should not be included in calculations that determine the actual or estimated amount to be included for fringe benefits, but should be included on a payroll tax return as ordinary wages.

Contact the Office of State Revenue

Office	Office of State Revenue 200 St Georges Terrace PERTH WA 6000	Telephone	08 9262 1300 1300 368 364 (WA country callers only – local call charge)
Postal	Office of State Revenue GPO Box T1600 PERTH WA 6845	Web Enquiry	www.osr.wa.gov.au/PayrollEnquiry
		Website	www.osr.wa.gov.au

Note: The information contained in this FACT SHEET is issued for guidance purposes only. It is not an exhaustive explanation of the provisions of the *Pay-roll Tax Assessment Act 2002* and reference should be made to this Act for complete details.

Sample Worksheet: Payroll Tax Fringe Benefits Final Return

Adjustment worksheet – Estimated method

IMPORTANT

An employer who has been declaring fringe benefits under the estimated method and:

- the liability to payroll tax is to cease; or
- a change to the actual method is to occur,

must complete this or a similar worksheet and declare the resultant adjustment in their final return under the estimated method.

Employers who cease on the estimated method in the months of April, May or June should refer to Example 3. Employers who cease on the estimated method in the months between July and March should refer to Example 4.

	\$	\$
i. Adjusted WA fringe benefits for the FBT year that ends in the financial year in which the final payroll tax return falls i.e. 31 March	-----	
ii. Actual adjusted WA fringe benefits for April, May & June immediately following the year specified in (i) above (if any)	-----	-----
	Subtotal	-----
Less:		
 <i>¼ of adjusted WA fringe benefits for the FBT year that ends in the financial year in which the estimated method was used first i.e. 31 March</i>		
ii. <i>Fringe benefits declared in payroll tax returns for the financial year of the final return</i>	-----	-----
 <i>Amount to be declared in final return</i>		-----