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Bag Issues Log Item 06-002: FBT related audit/compliance activities

Log Item sent: 13/11/2006

Could the ATO please provide an update on its FBT related audit/compliance activities, some of the emerging issues it is seeing, some of the common errors and any new rulings and products it has in the pipeline?

ATO Response

"Although I don't know the full history of the process, I believe that a number of circumstances have contributed to the delayed response - for which I sincerely apologise. I trust the response provided hereunder addresses your questions.

The Tax Office undertakes a range of compliance activities in relation to FBT. These activities range from reviewing FBT compliance generally during the course of our broader income tax or GST review and audit activities to targeted FBT audits looking at specific areas such as motor vehicles, salary sacrifice arrangements and FBT return lodgment. The Tax Office Compliance Program 2007-08 provides further details on the full range of Tax Office compliance activities for 2007-08.

Emerging Issues:

Some of the emerging FBT issues we are seeing are:-

- *The micro market (employers with a turnover less than \$2m) is seeing a reduction in FBT payable. We are undertaking some scoping work to determine if employers in this segment understand and are meeting their obligations, particularly in respect of car benefits.*
- *Some employers are not lodging FBT returns where they have an obligation to do so.*

Common FBT related errors:

- *Assuming that if a car is used 100% for business no log book is required. The use of an employer owned car on business requires a log book to substantiate the claim.*
- *Failing to complete the employee contribution label on the company income tax return.*
- *Employees thinking that driving a car to and from work is a business trip, when it is usually a private trip.*
- *Assumption that all 4WD vehicles are not subject to FBT. We publish an update to MT 2024 on a regular basis that lists vehicles that are not subject to FBT.*

New Rulings:

Draft Taxation Ruling on minor benefits issued on 27 June 2007."

Disclaimer

This document provides general information current at the time of writing. It is not intended that the information provide advice and should not be relied on as such. Professional advice should be sought prior to actions on any of the information contained herein.

November 2006