

LI 2024/9 - Explanatory statement -



Explanatory Statement

Fringe Benefits Tax Assessment (Adequate Alternative Records – Car Travel to Certain Work-Related Activities) Determination 2024

General outline of instrument

1. This instrument is made under section 123AA of the *Fringe Benefits Tax Assessment Act 1986* (FBTAA).
2. The instrument specifies records the Commissioner of Taxation will accept as an alternative to an employee declaration in respect of expense payment fringe benefits where:
 - (a) the employer seeks to reduce the taxable value of a benefit in respect of car travel for a work-related medical examination, work-related medical screening, work-related preventative health care, work-related counselling or migrant language training (section 61F of the FBTAA),
 - (b) the benefit consists in whole or part of a reimbursement of a 'Division 28 car expense' incurred by the employee or their associate in relation to a car they own or lease, and
 - (c) the reimbursement is calculated on a cents per kilometre basis.
3. The instrument is a legislative instrument for the purposes of the *Legislation Act 2003*.

Date of effect

4. This instrument commences on 1 April 2024.

Effect of this instrument

5. This instrument may reduce compliance costs for employers by allowing them to rely on adequate alternative records (rather than employee declarations) to meet their FBT record keeping obligations.
6. Section 123AA of the FBTAA allows the Commissioner to make a legislative instrument that specifies alternative records that employers can rely on, in lieu of statutory evidentiary documents, for FBT record keeping purposes.
7. The instrument applies for the FBT year ending 31 March 2025, and all subsequent FBT years (paragraph 5(1)(a) of the instrument). It allows an employer to which the instrument applies to accept adequate alternative records instead of a declaration referred to in paragraph 61F(c) of the FBTAA (paragraph 5(1)(b) of the instrument).
8. The instrument applies to the class of employers specified in subsection 5(2) – that is, employers reducing the taxable value of an expense payment fringe benefit described in section 61F of the FBTAA, in certain circumstances.
9. Section 6 of the instrument sets out what records are adequate alternative records that can be accepted instead of a relevant employee declaration. It stipulates that the alternative records must be written in English and contain, at a minimum, the following information:

- (a) the name of the employee or associate of the employee who received the benefit,
- (b) if the benefit is in respect of work-related counselling or migrant language training – the number of family members who travelled in the car (including the employee),
- (c) the address of the departure location,
- (d) the address of the arrival location,
- (e) the dates of travel, and
- (f) the total number of whole kilometres travelled between the address of the departure location and the address of the arrival location (inclusive of any return trip).

10. There is no limit on the number of records that may, in aggregate, meet the minimum information requirements. Further, there is no prescribed type or form of record in which the required information must be contained. If multiple different records collectively contain the minimum information when viewed together, the records will be accepted in aggregate as satisfying the requirements. For example, records can be stored electronically or in paper form, and the required information could be contained in various types of documents such as employment contracts, payroll records, job descriptions, employer and employee correspondence (for example, emails or text messages), log books, employer policies, and calculations of private travel.

11. Records can only be accepted as an alternative to the declaration if they are obtained and held by the employer by the employer's declaration date. This is the date of lodgment of their FBT return for the relevant year, or such later date as the Commissioner allows. This is because section 123AA of the FBTA deems the employee to have the declaration at the time that they hold the records, and the underlying declaration is required to be obtained by the declaration date.

Example

Yichen and his wife Zihan have recently immigrated to Australia from China. Yichen's employer B Co offers a program to fund English lessons for new employees or their spouses. Yichen applies for the program for Zihan, so that she can attend the lessons at a TAFE. As part of the program, B Co will reimburse Yichen on a cents per kilometre basis for the cost of the travel in the family car to the English lessons.

Yichen completes an application form with B Co. In it, he specifies Zihan's enrolment confirmation with the TAFE including its address, the dates of the English lessons Zihan will attend, and confirmation that he will be driving Zihan between their home address and the lessons.

B Co organises for the trips to and from the English language training to be reimbursed by reference to the distance travelled with the car in accordance with the 'cents per kilometre' method outlined in Division 28 of the *Income Tax Assessment Act 1997*.

This reimbursement constitutes an expense payment fringe benefit. Under section 61F of the FBTA, B Co is entitled to reduce the taxable value of the fringe benefit if the requirements of that section are met. Instead of obtaining the declaration required by paragraph 61F(c), B Co seeks to rely on section 123AA of the FBTA.

B Co has obtained records containing, in aggregate, the minimum information that can be relied upon as an alternative to the declaration, including:

- the application form containing all required information, apart from the total kilometres, and
- a record of the total number of kilometres travelled by confirming the distance from the couple's home address to the address of the TAFE (and back) using an internet search, multiplied by the number of lessons Zihan attended.

Table 1: B Co records that contain the required minimum information

Required minimum information	Records held by B Co
<ul style="list-style-type: none"> The name of the employee receiving the benefit The date or dates of travel The address of arrival location The address of the departure location The number of family members who travelled in the car (including the employee) 	Application form
<ul style="list-style-type: none"> The total number of kilometres travelled between the address of departure and arrival locations 	Google Maps

B Co can reduce the taxable value of the expense payment fringe benefit in accordance with section 61F of the FBTAA. Due to the operation of subsection 123AA(1) of the FBTAA, B Co is taken to have kept and retained the relevant declaration and accordingly have satisfied the requirement in paragraph 61F(c).

Compliance cost assessment

12. Minor – there will be no additional regulatory impacts as the instrument is minor and machinery in nature (The Office of Impact Assessment reference: OIA23-04483).

Background

13. Section 61F of the FBTAA allows an employer to reduce the taxable value of certain expense payment fringe benefits that are provided in respect of a work-related medical examination, a work-related medical screening, work-related preventative health care, work-related counselling or migrant language training. The reduction is available to the employer where:

- (a) They reimburse the recipient for a Division 28 car expense (as defined in subsection 136(1) of the FBTAA),
- (b) the reimbursement is calculated on a cents per kilometre basis, and
- (c) the recipient used their own car (that is, a car that they own or lease).

14. The reduction of taxable value permitted under section 61F is limited to 50 per cent of the amount the employer would have reimbursed based on the applicable rate applied on a cents per kilometre basis for that amount of travel. The applicable rate is the sum the basic car rate (determined under subsection 28-25(4) of the *Income Tax Assessment Act 1997*), and (where the benefit is associated with work-related counselling) the supplementary car rate if two or more family members travelled in the car (the rate prescribed by section 15 of the *Fringe Benefits Tax Assessment Regulations 2018*).

In accordance with paragraph 61F(c) of the FBTAA, the employer ordinarily needs to obtain a signed employee declaration in the approved form by the declaration date to reduce the taxable value. This instrument prescribes alternative records the employer can use instead of the employee declaration to reduce the taxable value for the relevant FBT year.

Consultation

15. Subsection 17(1) of the *Legislation Act 2003* requires that the Commissioner undertake appropriate and reasonably practicable consultation before making a legislative instrument.

16. For this instrument, broad public consultation was undertaken from 20 February 2023 to 22 March 2023.

17. The draft instrument and draft explanatory statement were published to the ATO Legal database on the 'What's new' page. They were also advertised on the ato.gov.au website on the 'Open Consultation' page. Major tax and superannuation publishers and associations monitor these pages and include the details in the daily and weekly alerts and newsletters to their subscribers and members.

18. The legislative instrument and explanatory statement were amended to reflect feedback received through consultation and the enactment of related amendments to the primary law. A key change to the instrument was the removal of the requirement for information about the particulars of the car.

Legislative references

Acts Interpretation Act 1901

Fringe Benefits Tax Assessment Act 1986

Fringe Benefits Tax Assessment Regulations 2018

Human Rights (Parliamentary Scrutiny) Act 2011

Income Tax Assessment Act 1997

Legislation Act 2003

Statement of compatibility with Human Rights

Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

Fringe Benefits Tax Assessment (Adequate Alternative Records – Car Travel to Certain Work-Related Activities) Determination 2024

This legislative instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the legislative instrument

The instrument specifies records that the Commissioner of Taxation will accept from an employer, in certain circumstances, as an alternative to an employee providing a declaration for an expense payment fringe benefit in respect of car travel to a work-related medical examination, a work-related medical screening, work-related preventative health care, work-related counselling or migrant language training.

Human rights implications

This legislative instrument does not engage any of the applicable rights or freedoms because it merely provides employers with an option to use acceptable alternative records instead of an employee declaration. Importantly, it will help reduce employers' record keeping compliance costs in relation to the fringe benefits tax law and provide them with certainty regarding their record keeping obligations.

Conclusion

This legislative instrument is compatible with human rights as it does not raise any human rights issues.