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| Standard Business Reporting  Australian Taxation Office –  Fringe Benefits Tax 2017 (FBT.0002)  Business Implementation Guide  Date: 22nd June 2017  Status: Final | |
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VERSION CONTROL

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| --- | --- | --- |
| **Version** | **Release date** | **Description of changes** |
| 1.0 | 22.06.2017 | Versioned to Final with no functional change. |
| 0.2 | 02.03.2017 | Updated applicable years for ELStagFormat receipt of FBT returns. |
| 0.1 | 19.01.2017 | Initial draft for consultation. |

ENDORSEMENT

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1. Introduction
   1. Purpose

The purpose of this document is to provide information to assist software developers in understanding the business context surrounding the fringe benefit tax (FBT) interaction. This interaction is performed with the Australian Taxation Office (ATO) through the Standard Business Reporting (SBR) platform.

This document defines the interactions available to lodge a FBT return, outlines which reporting parties can use the services and explains any constraints and known issues with the use of the interaction, providing guidance with certain identified issues.

The FBT service refers to the interaction with the ATO for a user, depending on their role, to:

* Lodge an FBT return
* Lodge an amendment to an FBT return
* Lodge an FBT return (original or amended) for a prior year as an SBR ebMS3 message containing the electronic lodgment service (ELS) tag formatted data.

This document applies to the SBR FBT service for 2017 FBT returns and the SBR ELStagFormat service for the years 2002-2016.

* 1. Audience

Organisations tasked with implementing the ATO FBT interactions into their products, typically software application developers and business analysts.

* 1. Document Context

The ATO FBT Business Implementation Guide forms part of the broader suite of documents used by the ATO to describe or interpret how the technical implementation relates back to the business context and process. This document is designed to be read in conjunction with the ATO SBR documentation suite including the:

* Web service/platform information
* Message information eg ATO Message Implementation Guide, and
* Test information eg Conformance suites

* 1. Glossary

For a glossary of terms, refer to the [SBR website](http://www.sbr.gov.au/software-developers/developer-tools/glossary).

1. What are the fringe benefits tax (FBT) services?

FBT is a tax employers pay on certain benefits they provide to their employees, including their employees’ family or other associates. The benefit may be in addition to, or part of, their salary or wages package.

It is separate to income tax and is calculated on the taxable value of the fringe benefits provided.

The FBT year runs from 1 April to 31 March.

Fringe benefits tax (FBT) law includes various categories of fringe benefits and specific valuation rules for each category. Categories include:

* Car fringe benefits
* Car parking fringe benefits
* Entertainment and fringe benefits
* Expense payment fringe benefits
* Loan fringe benefits
* Debt waiver fringe benefits
* Housing fringe benefits
* Board fringe benefits
* Living away from home allowance fringe benefits
* Property fringe benefits (including property, goods or shares)
* Residual fringe benefits (benefits not covered by the above categories)

Employers will need to pay FBT even if the benefit is provided to an associate of their employee or by a third party under an arrangement with them.

For more information, refer to the [ATO website](https://www.ato.gov.au/General/Fringe-benefits-tax-(FBT)/).

* 1. Where SBR fits into FBT lodgment obligations

The FBT service provides a number of functions for lodgment of an employer’s reporting obligations. These include the lodgment of:

* The FBT return, and
* Amendments to the FBT return where appropriate

The pre-lodge and lodge interactions are the core part of the SBR-enabled FBT business process.

When the employer or intermediary has gathered all information required, they will complete the return, validate it, and if required, correct any labels before lodgment.



Figure : SBR interactions and the FBT process

* 1. Interactions

The FBT lodgment process could consist of the following interactions:

| **Service** | **Interaction** | **Detail** | **Single** | **Batch** | **Optional** |
| --- | --- | --- | --- | --- | --- |
| FBT | *FBT.Prelodge* | Validate FBT message before lodgment (2017) | Y | Y | Y |
| *FBT.Lodge* | Lodge FBT (2017) | Y | Y | N |
| ELStagFormat | *ELStagFormat.Lodge* | Lodge FBT for prior years as SBR message using ELS tag format | N | Y | Y |

Table : Interactions available in the FBT lodgment process

* 1. Channels

The FBT interaction is available in the following channels:

|  |  |  |
| --- | --- | --- |
| **Interaction** | **SBR Core Services** | **SBR ebMS3.0** |
| *FBT.Prelodge* | Y | Y |
| *FBT.Lodge* | Y | Y |

Table : Channel availability of FBT interactions

1. Authorisation
   1. Intermediary Relationship

The SBR services an intermediary, such as a tax agent, can use on behalf of their clients depends on the activity being undertaken and whether the intermediary has a relationship with the client. Namely, an intermediary has the appropriate authorisation for the interaction being performed on behalf of the taxpayer recorded in ATO systems.

To use the FBT interaction, a business intermediary must be appointed by a business in Access Manager to use the available services on their behalf.

|  |  |
| --- | --- |
| attention_pms | The intermediary relationship is a fundamental precondition for tax agents interacting with SBR for FBT interactions |

**Note**: If the relationship does not exist, the SBR Add Client Relationship interaction of the Client Update services can be used to establish a relationship between the intermediary and the taxpayer. See the Client Update Business Implementation Guide and Client Update Message Implementation Guide for further information.

* 1. Access Manager

AUSkey and Access Manager are used to manage access and permissions for SBR online services. ATO systems will check that the initiating party is allowed to use the interaction received through the SBR channel.

For more information on Access Manager, see the [ATO website](https://www.ato.gov.au/General/online-services/access-manager/). For further information on AUSkey, see the Australian Business Register’s [website](https://abr.gov.au/AUSkey/).

The table below displays the interactions available to each initiating party via SBR for FBT and ELStagFormat:

| **Service** | **Interaction** | **Activity** | **Tax agent** | **BAS agent** | **Business** | **Business Intermediary** |
| --- | --- | --- | --- | --- | --- | --- |
| FBT | *FBT.Prelodge* | Validate data inputted into FBT before submitting for processing | ✓ |  | ✓ | ✓ |
| *FBT.Lodge* | Lodge FBT for processing | ✓ |  | ✓ | ✓ |
| ELStagFormat | *ELStagFormat.*  *Lodge* | Lodge FBT for prior years as a SBR message using ELS tag format | ✓ |  |  |  |

Table : FBT Permissions

A user must be assigned the appropriate authorisation permissions to use the FBT service. The below table references the SBR service to the relevant permission in Access Manager:

| **Service** | **Access Manager Permission** |
| --- | --- |
| FBT (*FBT.Prelodge and FBT.Lodge*) | Fringe Benefits Tax Return   * *Lodge* check box |

Table : Access Manager Permissions

1. Constraints and Known Issues
   1. Constraints When Using This Service

N/A

* 1. Known Issues

N/A

1. Taxpayer Declarations

Each time an intermediary lodges an approved form on behalf of a taxpayer the law requires the intermediary to have first received a signed written declaration from the taxpayer.

Developers of SBR-enabled software products may elect to provide a printable version of the taxpayer declaration within their products to assist intermediaries.

|  |  |
| --- | --- |
| attention_pms | A taxpayer declaration must be obtained by the intermediary for all lodgment obligations performed on behalf of their client |

These declarations apply, not just for original lodgments, but when lodging amendments to an FBT return.

For information on the retention of declarations and frequently asked questions, please refer to the [ATO website](https://www.ato.gov.au/Tax-professionals/Prepare-and-lodge/Managing-your-lodgment-program/Client-declarations---frequently-asked-questions-and-examples/).

* 1. Suggested wording

|  |
| --- |
| **Privacy**  The ATO is authorised by the *Taxation Administration Act 1953* to request the provision of tax file numbers (TFNs). The ATO will use the TFNs to identify the entity in our records. It is not an offence not to provide the TFNs. However, lodgments cannot be accepted electronically if the TFN is not quoted.  Taxation law authorises the ATO to collect information and to disclose it to other government agencies. For information about your privacy go to ato.gov.au/privacy  **Declaration**  I declare that:   * All of the information I have provided to the agent for the preparation of this document is true and correct * I authorise the agent to give this document to the Commissioner of Taxation. |

1. FBT Lodgment Guidance
   1. Prior year FBT lodgment through SBR

In order to support prior year lodgments before 2016 via SBR, lodgment of FBT returns is possible using the *ELStagFormat* service. *ELStagFormat* is envisaged to be used for prior year FBT lodgments from 2002-2016. ELS formatted data can be submitted as an SBR ebMS3 message using the ELS tag, which encapsulates the legacy ELS message. *ELStagFormat* is only available as a batch lodgment.

Please refer to the A06\_DIS\_SBR specification from the ELS suite of artefacts, available from the ATO [software developer website](http://softwaredevelopers.ato.gov.au/ELSspecification).

* 1. TFN and ABN algorithm validation

To obtain access to the algorithm to validate TFNs in a BMS product, refer to the ATO software developer page on this topic: <http://softwaredevelopers.ato.gov.au/obtainTFNalgorithm>

For information on ABN validation see this page:<http://softwaredevelopers.ato.gov.au/ABNformat>

* 1. Rounding amounts

To ensure users of your software products complete the FBT return properly, amounts should be rounded to the nearest whole dollar for:

* Type 1 aggregate amount (SBR Alias: FBT66 / ELS tag FZA)
* Type 2 aggregate amount (SBR Alias: FBT68 / ELS tag FZC)
* Aggregated Non-exempt amount (SBR Alias: FBT70 / ELS tag FZE)

**Example 1:** $24.37 would be rounded down to $24

**Example 2:** $12.89 would be rounded up to $13

**Example 3:** $6.50 could be rounded to either $6 or $7

The figure reported at Amount of tax payable (SBR Alias: FBT72 / ELS tag BJE) should be rounded to the nearest five cents.

**Example 1:** $24.37 would be rounded down to $24.35

**Example 2:** $12.89 would be rounded up to $12.90

Once rounding has been performed, the rounded amount should be used in any calculation rather than the original amount (including the cents).

* 1. Future years

The functionality to enable lodgment of future year (early lodged) returns is available as part of this service.

A future year return is a lodgment by a client or their authorised intermediary prior to the end of the current reporting period (eg a client lodging their 2016-17 FBT return before the end of the FBT year of 31 March 2017).

In order for a business or their authorised intermediary to lodge a future year return, the year cannot be greater than one year (Current Year + 1) into the future and the FBT obligation is to have ceased during the FBT year.

* 1. Grossed up calculations

When working out the FBT liability the taxable value of benefits provided must be gross-up to reflect the gross salary employees would have to earn at the highest marginal tax rate (including Medicare levy) to buy the benefits after paying tax.

There are two separate gross-up rates used to calculate fringe benefits taxable amounts:

* higher gross-up rate (type 1) is used where the employer (or other benefit providers) are entitled to a GST credit for GST paid on benefits provided to an employee. These benefits are known as GST-creditable benefits. The current type 1 gross up rate is 2.0802
* lower gross-up rate (type 2) is used where there is no entitlement to a GST credit. The current type 2 gross up rate is 1.8868.

The tax payable is the fringe benefits taxable amount multiplied by the rate of tax. The current FBT rate is 49%. For more information, refer to the [ATO website](https://www.ato.gov.au/Rates/FBT/?page=3#Gross_up_rates_for_FBT).

Where taxable fringe benefits have been provided to employees, there are some distinct steps involved in calculating the FBT liability. Use the following steps to calculate how much FBT the employer may have to pay:

|  |  |
| --- | --- |
| Step 1 | Work out the taxable value of each fringe benefit provided to each employee. The rules for calculating the taxable value of a fringe benefit vary according to the type of benefit. |
| Step 2 | Work out the total taxable value of all the fringe benefits provided for which a GST credit (including excluded fringe benefits) can be claimed. |
| Step 3 | Work out the grossed-up taxable value of these benefits by multiplying the total taxable value of all the fringe benefits where a GST credit can be claimed (from step 2) by the type 1 gross up rate (currently 2.0802). |
| Step 4 | Work out the total taxable value of all those benefits where a GST credit cannot be claimed, for example, supplies made that were either GST-free or input taxed. |
| Step 5 | Work out the grossed-up taxable value by multiplying the total taxable value of all the fringe benefits a GST credit cannot be claimed (from step 4) by the type 2 gross up rate (currently 1.8868). |
| Step 6 | Add the grossed-up amounts from steps 3 and 5. This is the total fringe benefits taxable amount. |
| Step 7 | Multiply the total fringe benefits taxable amount (from step 6) by the FBT rate (currently 49%). This is the total FBT amount the employer is liable to pay. |