

# Fringe Benefits Tax Update



Our core purpose is  
**“HELPING CLIENTS ACHIEVE FINANCIAL SECURITY”**

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## MAJOR CHANGES TO SALARY SACRIFICING MEAL ENTERTAINMENT AND ENTERTAINMENT FACILITY LEASING EXPENSES

From the 1st of April 2016 there will now be a limit on the amount of meal entertainment and entertainment facility leasing expenses (EFLEs) that can be salary sacrificed with no fringe benefits tax (FBT) payable.

### Firstly, what are meal entertainment and EFLEs?

Meal entertainment is entertainment by way of food or drink such as meals with family or friends, drinks at a bar or nightclub or purchase of food and drink for a wedding.

EFLEs are the cost of hiring or leasing a facility used to provide entertainment such as a corporate box, houseboat, holiday accommodation or a wedding reception venue.

Previously, employees of the organisations listed below can salary sacrifice as much meal entertainment and EFLEs as they like without incurring any FBT:

- Public benevolent institutions
- Health promotion charities
- Public hospitals
- Not for profit hospitals
- Public ambulance services

### This has now changed!

From the 1st of April 2016 a separate single grossed up cap of \$5,000 for salary sacrificed meal entertainment and EFLEs exists. These expenses will now also be included in calculating your standard cap of \$17,667 or \$31,177 per year depending on your employer.

Put simply, you can now only have a maximum of \$5,000 (grossed up) of meal entertainment and EFLEs on top of your standard cap of \$17,667 or \$31,177. See the example below that explains the changes:

### Example

Jill is a nurse for a public hospital and therefore has an FBT cap of \$17,667 for the 2017 FBT year. Jill is provided with the following benefits during the year:

Benefit	Cost	Grossed up Taxable Value
Restaurant Meals	\$1,800	\$3,529
Holiday Accommodation	\$3,000	\$5,882
Television (incl GST)	\$5,000	\$10,731
Childcare Fees	\$3,500	\$6,863
<b>Total</b>	<b>\$13,300</b>	<b>\$27,005</b>

### Let's review the results of Jill's salary package if the 2016 FBT year rules still applied

<b>Total grossed up value of benefits salary sacrificed</b>	<b>\$27,005</b>
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### Less exempt benefits under the old rules

Restaurant Meals	\$2,529
Holiday Accommodation	\$5,882
<b>Total Taxable Amount</b>	<b>\$17,594</b>
<b>Cap Available to Reduce FBT Payable</b>	<b>\$17,667</b>
<b>FBT Payable is Nil</b>	

As can be seen, the taxable value of the benefits provided being \$17,594 was less than the available cap of \$17,667. Therefore no FBT payable.

### Now let's review the results under the new rules for the 2017 FBT year

<b>Total Grossed Up Value of Benefits Salary Sacrificed</b>	<b>\$27,005</b>
<b>Less New \$5,000 Maximum Cap</b>	<b>\$5,000</b>
<b>Total Taxable Amount</b>	<b>\$22,005</b>
<b>Less Ordinary Cap Available</b>	<b>\$17,667</b>
<b>Excess Subject to FBT</b>	<b>\$4,338</b>

As can be seen under the new rules Jill will exceed her available cap or \$17,667 and therefore will not be able to salary sacrifice this level of expenses from the 1st of April 2016 without incurring FBT at a rate of 49%.

Please note that these changes also affect FBT Rebatable employers such as sporting clubs, private schools, religious institutions, trade unions, employee association and charitable institutions.

So, don't be caught out by these changes by making sure any required adjustments to your salary package have been made especially if you are planning on salary sacrificing a significant amount of meal entertainment and EFLEs.

**We offer a free no obligation meeting to review your situation. Call us today on 03 5330 7200 and take advantage of this valuable offer.**

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# Are You Financially Secure?



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## What does being financially secure mean?

**IT MEANS ASSESSING YOUR PERSONAL AND BUSINESS GOALS AND DEVELOPING A PLAN TO ACHIEVE THESE.**

We have identified 10 key areas to help you become financially secure:

1. Goals & objectives
2. Estate plan
3. Risk plan
4. Asset protection plan
5. Taxation plan
6. Debt plan
7. Retirement and succession plan
8. Business plan
9. Superannuation plan
10. Investment plan

Setting goals and objectives and having strategies to achieve these is an essential element of becoming financially secure. Once you know what you are aiming to achieve and how you are going to get there, we then need to make sure you have a strong foundation in place to protect you, your family and other investments. A strong foundation needs an estate plan, risk, plan, asset protection plan, taxation plan and debt plan.

With the foundations in place we can then work on the strategies to achieve your goals and objectives. It may seem out of order that we have the retirement and succession plan at number 7 rather than 10. It is important that this is considered early and a plan is put in place. This assists to plan for this financially as well as keeping the communication lines open on the topic.

## 10 Steps to becoming Financially Secure

### 1. GOALS AND OBJECTIVES

Picture yourself in 10 years time... Where do you want to be? How are you going to get there? Being clear on your goals & objectives ensures you can develop a strategy to achieve them.

### 2. ESTATE PLAN

“What will happen when I’m gone?” Only assets owned in your name are covered by your will. Your Estate Plan protects your family from the potential threats that your Will does not.

### 3. RISK PLAN

Your Risk Plan addresses whether you need to save or insure to protect your family’s financial security in the event of an injury, accident or death.

### 4. ASSET PROTECTION PLAN

An Asset Protection Plan makes sure your assets are owned in the right names or entities so you limit the risk of them being exposed to creditors.

### 5. TAXATION PLAN

A Taxation Plan structures your affairs so that you legally pay the least amount of tax and retain more of your income.

### 6. DEBT PLAN

A Debt Plan ensures your assets aren’t over exposed to debt and structures your debt to maximise tax deductibility of the interest.



### 7. RETIREMENT PLAN

Retirement is setting the date when you can choose to stop work. Your Retirement Plan details the income and assets you need (in addition to superannuation) to retire and outlines the steps to get there.

### 8. BUSINESS PLAN

Your Business Plan may be the main source of your wealth. The 5 Drivers to Business Success are the key to developing a business which will help you achieve your goals.

### 9. SUPERANNUATION PLAN

Many people miss out on the enormous tax benefits of superannuation. A Superannuation Plan will ensure you have a strategy to produce greater wealth at retirement.

### 10. INVESTMENT PLAN

An Investment Plan will increase your asset base, while focusing on preserving your capital and managing your risks, to meet your personal and financial goals.

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