

Fringe Benefits Tax (FBT) - Otherwise Deductible Rule and Declarations

What is the 'Otherwise Deductible' rule?

The 'Otherwise Deductible' rule is a mechanism within the FBT legislation which can allow the taxable value of an expense payment benefit provided to an employee to be reduced to Nil, thereby removing the need to pay fringe benefits tax.

A benefit can be classified as 'Otherwise Deductible' if the employee would have been entitled to claim an income tax deduction in their own personal income tax for the expense if the University had not paid for the expense.

To determine if the employee would have been entitled to claim an income tax deduction, the expense must be incurred in the course of producing assessable income.

Where an employee determines that only part of the expense was incurred in the course of producing assessable income, the employee is required to apportion the cost between business and private use and complete the Declaration only for the business use portion.

Declaration required

The use of the 'otherwise deductible' rule to reduce the taxable value of fringe benefit must be supported by particular documentation. This documentation is required to substantiate the extent to which the cost of the benefit would have been deductible to the employee.

This documentation is the "Otherwise Deductible Declaration" and is available both in hardcopy and electronically, and can be accessed from the Taxation page on the Finance@FedUni website (Expense Payment Declaration form).

Some typical benefits which potentially could include private use and for which an Otherwise Deductible Declaration may be used are:

- Professional memberships & subscriptions;
- Licence fees;
- Medical examination costs;
- Home internet facilities;
- Conference, Workshop, Congress and Seminar Registration fees;
- Course and tuition fees in relation to study relating to the staff members current employment;
- Text and reference books and reports;

The Otherwise Deductible Declaration cannot be used for entertainment related expenditure.

Entertainment related expenditure includes:

- Food and drink provided to University staff at a social function, either on or off campus;
- Food and drink provided to University staff who have not travelled away from their home city of employment;
- Food and drink provided to associates (family & partners) of a staff member;
- Venue and facilities hire for a social function;
- Travel and accommodation costs associated with staff attending a social function.

A declaration must be completed for each expense item provided as a benefit.

i.e. items cannot be bulked together under one declaration, such as 'conference costs'

Benefits provided by the University to staff which have a value less than \$300.00 do not need a declaration

Declarations are not required for expenses with an individual value of less than \$300.00 and where those expenses are provided irregularly and infrequently.

Benefits of this nature are classified as a Minor Benefit and are excluded from FBT