A property fringe benefit arises when an employee is provided with property, free or at a discount, by the University.

Goods supplied to an employee on a working day, which are consumed on University premises are exempt property fringe benefits. For example, orange juice and sandwiches consumed by employees on University premises on a working day are exempt from FBT. (See Part 4.4)

Stationery and consumables supplied to employees in carrying out their University duties are exempt from FBT.

Where the University provides property to an employee and the business carried on by University includes the provision of identical or similar property principally to outsiders it will be an in-house property fringe benefit.

Calculation of Property Fringe Benefits Taxable Value

The taxable value of a property fringe benefit is generally the arm’s length cost of the property to the University less any amount contributed by the employee. Where the property is an in-house fringe benefit the taxable value may be reduced depending on whether the property is purchased or manufactured by the University.

**Otherwise Deductible Rule**

Where an employee could have obtained an income tax deduction for the property fringe benefit, then the taxable value of the benefit is reduced by the amount of that deduction.

This must be supported by one of the following declarations prior to lodgement of the FBT return:

- **No private usage declaration** - where an employee is provided with property used solely for employment-related purposes [4.8 (Attachment A)]; or

- **General declaration** - required in circumstances where the property is partially used for some tax deductible purposes [4.8 (Attachment B)]; or

- **Recurring declaration** - it is an identical property benefit over a number of years. This declaration may apply to cover benefits received over a five year period as long as the tax deductible percentage does not vary from year to year by more than 10%. [4.8 (Attachment C)]

Books produced by the University Printer which are given to employees constitute property fringe benefits but generally the ‘otherwise deductible rule’ reduces the taxable value to $nil.

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Long Service/Awards

- Long service awards granted by the University in recognition of 15 years service by an employee are exempt from FBT provided the value of the award does not exceed $1000.

- The $1000 limit increases by $100 for each additional year of service by the employee in excess of 15 years, effective from 1/4/05.

- If a University employee has previously received a long service award from the University under the abovementioned criteria, then any further similar award is limited to an amount of $100 for each subsequent year of service.

- Prior to 1/4/05, the limit was $500 increased by $50 for each additional year of service by the employee in excess of 15 years.

Should the value of a long service award exceed the specified maximum amount, no part of the award is exempt.

Gross Up Factors

Due to the introduction of GST it will be essential to determine which gross up factor will apply to property fringe benefits. Please refer to the table on the following page which will assist in determining which gross up factor applies.
PROPERTY FRINGE BENEFIT

Flowchart of FBT Gross-Up Factor for Calculating the Grossed-Up Taxable Value for FBT Property

1. Is the benefit an external property fringe benefit?
   - YES
   - NO

2. Is the benefit GST free?
   - YES
   - NO

3. Was the benefit manufactured or produced by the provider?
   - YES
   - NO

4. Were the goods purchased by the provider, for sale?
   - YES
   - NO

5. Was the acquisition of the benefit a creditable acquisition?
   - YES
   - NO

6. Employer / provider solely input taxed?
   - YES
   - NO

---

**No Input Tax Credit Available**

**TYPE 2 fringe benefit**

Gross up rate 1.8692

Reportable Fringe Benefits – Include grossed up amount of 1.8692 on the payment summary.

**Input Tax Credit Available**

**TYPE 1 fringe benefit**

Gross up rate 2.0647

Reportable Fringe Benefits – Include grossed up amount of 1.8692 on the payment summary.

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PLEASE NOTE:

The above flowchart incorporates the proposed Division 71, which will result in no input tax credit being allowed for an acquisition, or importation where it is provided as a fringe benefit and the acquisition or importation also relates solely or partly to making supplies that are input taxed.

The amendments to Division 71 of the GST Act ensure that employers will be denied input tax credits where the goods or services relate to input taxed supplies and are provided as taxable fringe benefits. Where partly input taxed, input tax credits will be limited to that extent.

The employer will continue to gross up the employee’s individual fringe benefit amount using the former gross up formula when determining the amount to be shown on the employee’s group certificate or withholding summary. Reportable fringe benefits include the grossed up amount of 1.8692 on the group certificate.

The above flowchart does not cover all situations; advice should be sought for specific issues. In particular it does not cover the financial supplies rule.
No Private Use Declaration - Property Benefits
(100% Business Use)

I, ________________________________________________ on behalf of
(name of person authorised to make declaration)

_________________________________________________
(name of employer)

the property benefits, described below, and provided during the FBT year from 1 April ___________ to
31 March _______________ which, had I purchased the property for its market value, under the ‘otherwise
deductible’ rule would have a taxable value of nil.

_________________________________________________
-

_________________________________________________
-

_________________________________________________
-

_________________________________________________
-

(Show sufficient detail to enable identification of the relevant benefits, e.g. name of employee(s) and or class of employee and or type of benefit.)

Signature _______________________________________

Date ________________________________

This declaration must be completed when only employment related benefits have been provided to
the employee.

i.e. nil private expenditure is involved.

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to any person, in respect of anything done or omitted to be done by any such person in reliance, whether wholly or partially, upon the
whole or any part of the contents of this tax manual. You should not rely on this tax manual for your personal incometax obligations.
Property Benefit Declaration
(Some Private Use)

I, __________________________________________________________________________ declare that

(name of employee)

__________________________________________ (show nature of the goods e.g. stationery)

was provided to me by or on behalf of my employer during the period

___________________________ in the year_________ to _________________________ in the year_________

and that the property was used by me for the following purpose(s)

______________________________________________________________________________________

(Please give sufficient information to demonstrate the extent to which the property was used by you for the purpose of earning your assessable income.)

I also declare that had I purchased the property for its market value, I would have been entitled to claim an income tax deduction equal to ________________% of the purchase price.

Signature ____________________________

Date         ____________________________

This declaration must be completed when provided to an employee is not used wholly for employment related purposes.

i.e. there is a % of private expense(s) involved.

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Recurring Property Fringe Benefit Declaration

I, .................................................................................................................... declare that

(name of employee)

was provided to me by or on behalf of my employer during the period from

in the year__________ to ________________ in the year__________

and that the property was used by me for the following purpose(s)

(Please give sufficient information to demonstrate the extent to which the property was used by you for the purpose of earning your assessable income.)

I also declare that had I purchased the property for its market value, I would have been entitled to claim an income tax deduction equal to _______________% of the purchase price.

I understand that this declaration is to apply to the above stated benefit and to any identical benefit for a period up to 5 years from the date of this declaration or until the stated percentage incurred in earning my assessable income decreases by more than 10 percentage points. This declaration will also be revoked if another recurring property fringe benefit declaration is provided in respect of a subsequent identical benefit.

Signature ________________________________

Date          ________________________________

Note:
Identical benefits are ones which are the same in all respects except for any differences that are minimal or insignificant, or that relate to the value of the benefits, or that relate to a change in the deductible proportion of 10 percentage points or less.

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