

1998-99

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

A NEW TAX SYSTEM (FRINGE BENEFITS REPORTING) BILL 1998

SUPPLEMENTARY EXPLANATORY MEMORANDUM

Amendments to be moved on behalf of the Government

(Circulated by authority of the
Treasurer, the Hon Peter Costello, MP)

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General outline and financial impact

Reporting of fringe benefits on group certificates

The amendments exclude fringe benefits relating to entertainment facility leasing expenses and remote area housing from the group certificate reporting requirement contained in the A New Tax System (Fringe Benefits Reporting) Bill 1998. The amendments also remove the requirement for employers to issue group certificates earlier than the standard 14 days after the end of the financial year, where an employee has a reportable fringe benefits amount.

Financial Impact: The amendments would result in an unquantifiable gain or loss to revenue that is expected to be insignificant.

Compliance Cost Impact: The amendments would result in a significant reduction in compliance costs for employers.

When an employee leaves during the year, employers will now have additional time to calculate the employee's reportable fringe benefits amount and issue them with a group certificate identifying this amount.

Employers will avoid the complexities of having to allocate the value of benefits relating to entertainment facility leasing expenses between individual employees.

Employers providing remote area housing benefits will not need to incur additional compliance costs in order to record these benefits on group certificates.

Chapter 1

Reporting of fringe benefits on group certificates

Explanation of the amendments

1.1 The following amendments relate to *Schedules 1* and *2* to the A New Tax System (Fringe Benefits Reporting) Bill 1998 (the Bill).

Schedule 1 – Amendments 1 to 13

1.2 These amendments exclude fringe benefits relating to entertainment facility leasing expenses and remote area housing from the group certificate reporting requirement contained in the Bill.

Entertainment facility leasing expenses

1.3 Entertainment facility leasing expenses are defined in subsection 136(1) of the *Fringe Benefits Tax Assessment Act 1986* (FBTAA) and cover expenses incurred by the person in hiring or leasing premises or facilities for the purpose of providing entertainment. Specifically excluded from the definition are expenses attributable to the provision of food or drink, or advertising expenses that are an allowable deduction to the person under the *Income Tax Assessment Act 1936* (ITAA 1936).

1.4 Fringe benefits that are wholly or partly attributable to entertainment facility leasing expenses are being excluded from the fringe benefits tax (FBT) reporting system in order to remove the complexities involved in allocating the taxable value of these benefits to individual employees.

Remote area housing benefits

1.5 The exclusion of remote area housing benefits is not limited to remote area housing fringe benefits as defined in the FBT law. It also applies to a range of benefits associated with remote area housing, including:

- residential fuel used in connection with the accommodation;
- remote area housing loans and interest payments in respect of the loan;

- remote area housing rental expenses;
- remote area residential property benefits and any associated amortised fringe benefits;
- remote area residential property option fees and any associated amortised fringe benefits; and
- remote area residential property repurchase consideration and any associated reducible fringe benefits.

1.6 Remote area housing benefits are being excluded to simplify the reporting measure and minimise employer compliance costs, particularly for the mining industry.

1.7 **Amendments 1 and 2** change the calculation of an employer's ***aggregate fringe benefits amount*** in ***new section 5C*** of the FBTAA as a result of the exclusion of the various remote area housing benefits from the FBT reporting requirement.

1.8 **Amendments 3 and 4** change the simplified outline of the Division in ***new section 5D*** of the FBTAA as a result of the exclusion of the various remote area housing benefits from the FBT reporting requirement.

1.9 **Amendment 5** changes ***new section 5E*** of the FBTAA to include fringe benefits relating to entertainment facility leasing expenses and remote area housing as ***excluded fringe benefits***.

1.10 **Amendments 6 to 8** change the calculation of an employee's ***individual fringe benefits amount*** in ***new section 5E*** of the FBTAA as a result of the exclusion of the various remote area housing benefits from the FBT reporting requirement.

1.11 **Amendments 9 to 12** change the calculation of the ***employee's share*** in ***new section 5F*** of the FBTAA as a result of the exclusion of the various remote area housing benefits from the FBT reporting requirement.

1.12 **Amendment 13** is a technical correction to the definition of ***employee's share*** in ***Item 7 of Schedule 1*** as a result of **Amendments 9 to 12**.

Schedule 2 – Amendments 14 and 15

1.13 These amendments limit the circumstances under which an employer must issue an early group certificate. Where an employee ceases employment and makes a written request for a group certificate to be issued prior to the standard date of issue (14 July), subsection 221F(5CA) of the ITAA 1936 currently requires an employer to issue a group certificate within 14 days of cessation or the request, whichever occurs later.

1.14 **Amendment 14** ensures that subsection 221F(5CA) does not apply where the employee will have a reportable fringe benefits amount shown on their group certificate. [*Item 4A of Schedule 2*]

1.15 **Amendment 15** is a technical correction to *Item 8* of *Schedule 2* resulting from **Amendment 14**.