



**O'CONNELLS OBM PTY LTD**  
ACCOUNTING • BUSINESS ADVISING • CONSULTING

O'CONNELLS OBM HOUSE, LEVEL 6/26 WHARF ST

GPO Box 5242 BRISBANE Q 4001

E TEAM@OCONNELLSOBM.COM.AU

WWW.OCONNELLSOBM.COM.AU

T 07 3233 6400

ACN 102 818 342

## **CLIENT NEWSLETTER**

**19 November 2007**

### **INCREASE IN THRESHOLD FOR MINOR BENEFITS UNDER THE FRINGE BENEFITS TAX (FBT) RULES:**

**Summary:** a Change to the fringe benefits tax threshold for Minor benefits means that irregular benefits costing less than \$300 can be provided to staff free of FBT – and they are deductible to the employer.

One recent change that may have escaped notice is the increase in the threshold for minor benefits from \$100 to \$300 – effective from 1 April 2007.

This means that irregular benefits costing less than the threshold can be provided to staff free of FBT – and they are deductible to the employer. This includes entertainment items as well as gifts and similar benefits.

We have extracted below some details and examples from the ATO publications on this topic. We note that the examples are still quoting the old \$100 limit, but you can interpret that as being different from 1 April 2007.

*Some minor benefits you provide may be exempt from FBT. This is the case where the value of the benefit is less than \$100 and it would be unreasonable to treat it as a fringe benefit.*

The government has announced that from 1 April 2007, the minor benefits threshold will increase from \$100 to \$300.

It would be unreasonable to treat a minor benefit as a fringe benefit where:

- you provide the benefit infrequently and irregularly
- the taxable value of the minor benefit and other similar or identical benefits (if they were treated as fringe benefits) is low
- the likely total taxable value of the minor benefit and other associated benefits is low – associated benefits are those provided in conjunction with

the minor benefit, for example, accommodation, board, electricity and telephone benefits provided as part of an accommodation package

- it is difficult to calculate the taxable value of the benefit and any associated benefits
- the benefit is provided as a result of a contingency (for example, unexpected overtime).

**Example:** The manager of a small business gives flowers to Jane, an employee, on the birth of her daughter. The flowers have a taxable value of less than \$100. This is an exempt minor benefit because the flowers are provided on an irregular basis.

If the manager gave Jane a pram valued at \$350 instead of the flowers, this would not be an exempt minor benefit because the value of the pram is more than \$100.

**Example:** The manager of a small business gives flowers to the business's administrative assistant each week. The value of the flowers is \$15. Because the flowers are provided on a regular basis, this is not an exempt minor benefit.

**Example:** The manager of a small business gives Graham, an employee, two movie tickets with a total value of \$63. The movie tickets were given to thank Graham for completing a project within a short timeframe. This is an exempt minor benefit because the value of the tickets is less than \$100 and the tickets are not provided on a regular basis.

The occasional use of an employer's vehicle by an employee for a special purpose, such as rubbish removal or for travel from home to work during a transport strike, is an exempt benefit provided the employee in question didn't have a general entitlement to use the vehicle for private purposes.

But, in some cases, the benefit would be of sufficient value to override considerations of irregularity or lack of frequency. For example, a one-off loan of a four-wheel drive vehicle to an employee to travel cross-country during an extended annual holiday break may not be exempt because the actual value of such a benefit is not small.

Please contact our office with any queries.

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### **What is "OBM"? Open Book Management**

In summary – OBM means empowering team members, facilitating emotional ownership of a business by involving team members in the management of the business.

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