

University of Waikato Fringe Benefit Tax Guide



1. Background

Fringe Benefit Tax (FBT) is a tax imposed on non-cash benefits provided to employees in addition to their cash salary. The University is liable to pay FBT on the non-cash benefits it provides to its employees including those receiving schedular payments.

The main categories of fringe benefits are:

1. Motor vehicles;
2. Low or nil-interest loan;
3. Employer contribution to sick, accident and death funds, specified insurance policies, and superannuation scheme where employer superannuation contribution tax does not apply; and
4. Other unclassified benefits such as subsidised or free goods and services.

Distinction between FBT and PAYE

There is a distinction between benefits subject to FBT and those subject to PAYE.

- Benefits subject to FBT

Where an invoice for a benefit provided to an employee is in the University's name and the University pays that invoice, the payment of the invoice may be subject to FBT.

- Benefits subjects to PAYE

Where an invoice for a benefit provided to an employee is in the employee's name and the University reimburses the employee, the payment or reimbursement to the employee may be subject to PAYE.

The provision of accommodation is always subject to PAYE.

FBT return

The University files its FBT returns on a quarterly basis.

FBT rate

The University elects to use the single FBT rate of 49.25%.

2. Motor vehicles

In accordance with the Vehicle Use Policy, the University fleet vehicles are for the purpose of University business only, any private use of the University owned or hired vehicles is prohibited.

Availability for private use

Under the FBT rules, a fringe benefit arises when a University vehicle is made available to an employee for their private use regardless whether the vehicle is actually used.

Example

FBT	A staff member needs to travel to Auckland for an early meeting at 8:30am. With the line manager's prior approval, the staff member takes a University fleet car home and keeps it unused overnight. Even though the vehicle is left unused, there would still be one FBT day payable as the vehicle is available for private use.
No FBT	No fringe benefit arises where a staff member is required, as part of his/her duty, to be on call and uses a University work-related vehicle to travel between work and home only, and stores the vehicle at home.

Exemptions

Work-related vehicle

Work-related vehicles are not subject to FBT. For a University vehicle to be qualified as a work-related vehicle, ALL of the following conditions must be met:

1. The vehicle must not have been principally designed to carry passengers. For example:
 - Vans
 - Utilities vehicles
 - Light pick-ups and utes
 - Station wagons, hatchbacks and 4WDs with rear seats removed, welded down, or made unusable
 - Any vehicle with a gross laden weight exceeding 3,500kg
2. The name or logo of University of Waikato must be prominently and permanently displayed on the exterior of the vehicle.

A vehicle will not qualify as a work-related vehicle on any day where the vehicle is available for the employee's private use, except for private use that is:

3. Travel between work and home is a requirement of the employee's employment.

Emergency Calls

The whole of any day on which a vehicle is used to attend an emergency call is exempt from FBT. The emergency call must be to attend to some asset/infrastructure or service provided by the University, and is:

- Between 6pm and 6am Monday to Friday; and
- At any time on a Saturday, Sunday or statutory holiday.

Where the emergency relates to the health and safety of any person, the above time restrictions do not apply.

Business travel away from home

No fringe benefit arises for a University vehicle where:

- The employee is absent from home on University business with the motor vehicle for a period of at least 24 hours continuously; and
- The employee is required in the performance of his or her duties to use a vehicle and regularly be absent from home.

The whole day on which a vehicle is used for University business is treated as a day the vehicle is not available for private use. The day that the employee departs and the day that the employee returns are also treated as exempt days for FBT purposes.

Other days not liable for FBT

There may be other days that vehicles are not available for employees' private use. These days will qualify as exempt days provided the vehicle is unavailable to the employee for at least a complete 24-hour period. Such instances may include when a vehicle is at a garage being repaired, or at an airport carpark if the employee's flight is business related.

Incidental Travel

The private use of a University vehicle as part of a journey undertaken for University business is not subject to FBT only if the private proportion is minor or insignificant in comparison with the total journey. As a guideline, a travel deviation of a private nature is considered minor or insignificant if the distance travelled is less than 2km or 5% of the total business journey.

FBT day for motor vehicles

The University elects for a FBT day to start at 4pm.

Calculation of motor vehicle fringe benefit value

The University uses a vehicle's cost price when calculating its fringe benefit value.

The taxable value of a quarterly fringe benefit of a vehicle is calculated as:

$$\text{Cost price (incl GST)} \times \frac{\text{number of available days}}{\text{number of days in quarter}} \times \text{Quarterly valuation rate}$$

where:

- **Cost price (incl GST)** is the GST inclusive cost of a vehicle including any accessories such as tow bars, winches etc.
- **Number of available days** is the actual number of days in the quarter where the vehicle is available for private use; or 90, whichever is less.
- **Number of days in quarter** is 90 days.
- **Quarterly valuation rate** is 5% per quarter (20% per annual).

FBT payable is then calculated as:

$$\text{Taxable value of benefit} \times \text{FBT rate} + \text{GST of benefit}$$

where:

- **Taxable value of benefit** is the quarterly value of the benefit.
- **FBT rate** is 49.25%.
- **GST of benefit** is the GST amount of the value of benefit.

Example

There were 5 days in a quarter where a University fleet vehicle was kept at a staff member's home due to early travel and/or late return. The particular vehicle cost \$35,000 including GST.

The taxable value of the fringe benefit for the quarter is:

$$\$35,000 \times \frac{5}{90} \times 5\% = \$97.22$$

FBT payable for the quarter is:

$$\$97 \times 49.25\% + \$97 \times \frac{3}{23} = \$60.42$$

3. Low or nil-interest loans

The provision of low or nil-interest loans will be subject to FBT. The taxable fringe benefit value is calculated as the difference between the interest calculated on the daily balance of the loans for the quarter using the Inland Revenue prescribed interest rate and the actual interest charged to the employee for the quarter.

4. Contributions to funds, insurance and superannuation schemes

Certain University's contributions to superannuation schemes may be liable for FBT. Where the contribution is an "employer's superannuation cash contribution", no FBT arises on the contribution as such contributions are subject to Employer Superannuation Contribution Tax (ESCT).

5. Unclassified benefits (free, subsidised or discounted goods and services)

When the University provides “minor and unclassified” benefits to its employees, such benefits are subject to FBT. The value of the fringe benefit is the normal market value including GST less any amount paid by the employee.

Unclassified benefits that are subject to FBT include:

- Non-work related subscriptions and recreational fees
- Child-care costs (unless it is provided on premises owned or leased by the University)
- Gifts and gift vouchers for any reasons including but not limited to celebration, congratulation, bereavement and those related to performance reward arrangements
- Certain travel and accommodation arrangement for an employee’s spouse or family member (Specific rules apply. Please contact tax@waikato.ac.nz)
- Certain relocation arrangement of new or existing employees (Specific rules apply. Please contact tax@waikato.ac.nz)
- Non-work related portion of any utility and/or telecommunication costs paid by the University for an employee

Unclassified benefits that are not subject to FBT:

- Certain benefits provided on the premise of the University are excluded from FBT, except for free, discounted, or subsidised travel, accommodation, or clothing benefits
- Lunches, dinners and functions where the employee has no individual choice as to time or venue

Calculation of FBT

The FBT payable on an unclassified benefit is calculated as:

$$\text{Taxable value of benefit} \times \text{FBT rate} + \text{GST of benefit}$$

where:

- **Taxable value of benefit** is the GST inclusive value of the benefit.
- **FBT rate** is 49.25%.
- **GST of benefit** is the GST amount of the value of benefit, except where the cost of the benefit provided was not subject to GST (eg, GST doesn’t apply to vouchers as vouchers are not considered a “supply”)

Example

A staff member who has been hospitalised received a bunch of flowers, paid by the University. The flower cost \$100 including GST. The FBT payable would be:

$$\$100 \times 49.25\% + \$100 \times \frac{3}{23} = \$62.29$$

The provision of a \$60 shopping voucher to a staff member as a farewell present would create a FBT liability of:

$$\$60 \times 49.25\% = \$29.55$$

6. Contact

Enquiries about this guide should be directed to tax@waikato.ac.nz.