

INCOME FROM BUSINESS

Introduction :

Income earned from carrying on a business is ordinary income under s6-5 ITAA1997 and expenditure are deductible while hobby are not income and expenditure would not be deductible. Receipts from sales of investment will not constitute OI and expense are not deductible but instead subject to capital gain tax.

Step 1 : Determination of whether the taxpayer is carrying on a business

S995-1 Defines business as including any profession, trade, employment, vocation or calling but does not include occupation as an employee.

Indicators of a business activity :

Hobby, Recreation or Sporting Activity	No
Whether there is intention in profit making	Not determinative indication because lack of it might not necessarily preclude from being a business especially if operation has other sufficient of other characteristic of business. Stone v FCT : Lack of profit motive despite having so many source of income and acceptance of sponsorship deals
The scale of activities, including nature and type of capital and level of turnover	The larger the business, the more likely it would be held as a business but this does not exclude small activities from being held to be a business. FCT v Jr Walker ; Thomas : Even though it just one female Angora female goat but other factors such as business record keeping and joining the society all constitute a business
Whether a commercial approach is taken	Professional advice sought out before or during the operation and market for produce have been explored and whether is produce for more than needed for domestic purpose Thomas : The business was conducted in small scale and has little or no prospect of making profit and he had another job but what was important was the tree planting was much greater than what would be needed for domestic purposes.
System and organisation employed	Degree of planning involved, the amount of time devoted to the activity and whether the record are kept. Existence of a business plan and delegation of business like activities to manager is still a business Ferguson : He hire people and a manager to find suitable grazing for the cattle and manage their breeding (entering management agreement) He had an organisation and a business like approach with appropriate record keeping which indicate business activities.
Methods characteristic of the	Similar commercial business plan or strategy is used

particular line of business	
Sustained and frequent activity	Repetitive or regular
The type of activity and taxpayer	Depending on activity because collecting stamp business might be more like a hobby
Knowledge and Skill	Highly skill and knowledge and using them to earn income Stone : She had skill in Javelin and was state to be a business as she use her skill and knowledge and without it she wouldn't have gotten the prizes and sponsorship deals.

Gambling Cases :

- TP such as professional bookmakers and casino operator run business as they take a commercial approach and operate in a large scale.
- Individual who gambles is not business as income could just be windfall gain
- Need to have significant level of commercial activity such **as regular and systematic betting, large amounts of money wagered and possibly integration with other business activities** (2 limbs)

Trautwein	TP had been horse racing with a view of making profit and spend a lot of time and money to establish sport and farm for breeding racehorses. There was frequent and systematic betting on horse races wagering large amount of money and attended race meeting. Factor were size of bets, systematic and organized approach, commitment of time and money and employment of other people to place bet and collect winnings.
Martin	He regularly engaged in betting on horses in systematic manner and his accountant kept record of expenses and winning. High Court state that TP was not conducting a business but pursuing a recreational pastime despite the facts that there were large number of bets and system + interest.
Evans	Earn over \$800,000 but was not conducting business as it was more of windfall gain and lack of systematic approach. He did not place bet with bookmaker and wagered on long-odds bet show he rely mainly on luck
Babka	They had no other income, kept detailed records of previous bet and utilised a betting system. He devoted a large amount of time to gambling, using betting system and kept detail record wasn't a business as stated by Federal Court.
Ruling IT 2655	Gambling on horseracing is more likely to be a business if the gambler is associated with other related activities such as owning horses, training horses or operating as a book marker.

Sporting cases :

- High degree of professionalism to extent participants are fully occupied by their sporting pursuits
- Significant money involved and extensive use of managers and agents to negotiate individual contracts and significant involvement of the media and advertising industries
- Tax consequences include :
 - ⇒ Any fees paid by the club that the professional sportperson is playing will be OI regardless whether it is an business
 - ⇒ Prizes for sporting achievement received by sportsperson whose sporting activities constitute a business will be ordinary income from the business and still a OI if from persona services such as in Kelly v FCT except if it was for personal qualities
 - ⇒ Deductions available if TP regard as business – manager fees can be deducted Spriggs; Riddell

Stone	TP was a world class javelin thrower and full-time employee in Queensland police force, She competed successfully in national and international competition. She earn from prize money, grants appearance fee and sponsorship fees which was paid for her wearing clothing of certain brands and advertise. HC state that she was carrying on a business and all receipts were OI under s6-5 ITAA 1997. Lack of profit motive but she exert a lot of skills and knowledge into it.
Spriggs ; Riddell	Both play for respective football league and managers negotiate new player upon them changing clubs. They play full time and had a manager so deduction in fees. Spriggs – AFL player; Riddell – Rugby player Was football activity part of their business? Courts held that it is a business. - Reasons why activity is a business – employment activity generated the business income from marketing and sponsorship - Creates the exception: where your employment activities generate your business income then your employment activities are also part of the business.

Investment Activities :

- A business that invest in long term growth rather than speculative investment will normally be classified as earning property income and not income from a business

Shares	
London Australia Investment Co	High degree of activity in investing and reinvesting in shares to maintain a minimum dividend yield.
AGC (Investment)	An insurance company set up to earn dividend income and maximise long-term capital growth for the parent company. Share portfolio was managed professionally and company treated value as a capita reserve in its BS. It sell all their proceed and reinvest again. Full Federal Court held that he was not holding business as holding the shares for long term capital growth. Share were not bought and sold to maintain liquidity for parent company

AAT Case 4083	TP trading shares in his own name was in the business of share trading and reasons being despite the small number of sales in the year it was regular and followed a systematic approach and always seeking for volatile shares
Land sales – mere realisation or	Business property development
St Hubert's Island Pty	Primary activity purchasing, developing and selling land so its an business of selling land

Step 2 : Has business commenced ? Termination ?

Transaction that occur before the business commences or after it has ceased are treated differently for tax purposes to those that occur during the business operation. May not be deductible under the general deduction provision. Losses from business may be used against other income

Softwood Pulp and Paper Ltd Preliminary expenses	Intention of TP at the relevant point. The company incorporated to establish a paper mill for a Canadian company and undertook feasibility study to ascertain proposed mill would be viable. Supreme Court found that no business as there had been no commitment to commence operations. Expenses were incurred before the income-earning activities commenced and not deductible
Osborne	TP leased a land for purpose of planting and growing chestnut and then it was unsuccessful after buying plant and seedlings and not economically feasible so it was abandon. Full Federal Court held business commenced as step taken to fertilised so they were in business but it was capital nature.

Step 3 : Normal Proceeds of Business

Characterising a receipt as part of normal proceeds of the business requires :

- 1) Investigation nature of business – broad or narrow approach

Broad view, it is more likely unusual receipts could still be treated as business

Memorex Pty Ltd : Leasing of computer and advice on design of computer and sometimes leased computer are sold and these were normal proceeds of a business (**INCIDENTAL AND RELEVANT TRANSACTION**)

Merv Brown : Selling of import quotas was capital in nature as business is purchase and sale of cloth and material (narrow)

GP International Pipecoaters Pty Ltd: \$5m to cover cost of constructing pipe coating factory but HC state is normal proceed as it was due to successfully winning the tender of coat pipe (Broad)

2) Nexus receipt & identified business activity

Nexus with business activity would be normal proceeds of that business. Normal proceeds when it is part of ordinary business activity and ordinary incident of business activities (look at frequency and magnitude of the activity)

Memorex Pty Ltd : selling and leasing of computer showed a nexus with its core business activity

BUSINESS: NON-CASH BUSINESS BENEFITS - s21A FCT v Cooke and Sheridan(1980)

- Unlike personal gift has to be cash or cash convertible but business doesn't
- Deemed to be convertible to cash provided they are income of business which are assessable and valued at arms length s21A
- Has character of income S21A(1) convertible to cash and s21A(2) benefit brought into arms length – amount TP contributed
- Does not apply to non deductible entertainment expenses s21(4) (AVOID DOUBLE TAX)

Extraordinary Transaction :

- Transactions that are not within the normal proceeds of the business are label as extraordinary transaction

Myer Emporium	<p>Sold the right to interest on its loan to Citicorp for 45m and HC decide it was OI due to 2 strand. First strand has 3 criteria:</p> <ol style="list-style-type: none"> 1) Business operation or commercial transaction Ruling TR92/3 : Buy and resell gold is commercial transaction but it overstates the position(wrong) and confirm in case 1/99 2) Profit Making Intention upon entering the transaction FCT v Cooling : Landlord paid a lease incentive of which Cooling received a share and it was ordinary income as moving premises was normal time to time. TP enter lease to make a profit from receiving lease incentive 3) Profit was made by means consistent with original transaction; derived in TP manner of contemplated Westfield : Westfield purchase a land and wanted to develop shopping centre and selling it wasn't original intention but after it was sold. Proceeds is ordinary income but not extraordinary because the profit was not consistent with original intention but Westfield never had profit intention making
Mc Curry	<p>3 brother build 3 townhouse and advertised it for sales even though one used to be private use. TP has intention of making even though they claimed at time of purchase they were unsure whether to rent or sell townhouse but there was no evidence.</p>
Henry Jones	<p>2nd strand of Myer : Myer kept the loan but only sold right to interest TP sells the right to income from an asset without selling the underlying asset. (Application of compensation) TP enter agreement with 2 canned producer which gave them exclusive use of TP trademarks for 10 years with royalties</p>

	payment and he sold the right to third party. Right to ordinary income was sold but kept the trademark so it's OI.
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Isolated Transaction :

- One off nature and not undertaken by existing business operation. Could be OI or capital
- Transaction exhibit sufficient characteristic of a business than profit will be OI
- "Mere realisation" of capital good & Gain made from carrying on a business is an OI

Scottish Australian Mining Co Ltd	TP extensively developed one of its line and sold it. It was extensive and included laying road and building. It was not OI but later their found that it was characteristic of business so would have generated OI
Whitford Beach	They bought land for fishing shacks but not for recreational purpose. Then shares sold to developer and TP change Articles and started developing the land. It was an OI as development and sales undertaken were so extensive and characterise a business. Change of intention into profit making shows OI.
Statham	Cease farming and arranged for local city council to develop land where they subdivided and sold it and it was state to me "MERE REALISATION" as he did not do it himself and was not directly involve in sales process
Stevenson	Gave up farming and extensively developed the land. Tp was sole decision maker of development and sought finance for the development and control marketing so it was held to be OI
Casimaty	Subdividing, developing and selling the land. TP develop just to gain approval to have land subdivided so it was a "MERE REALISATION" and it was a capital.

NON-COMMERCIAL LOSS : DIV 35 ITAA 1997 : Specific anti-avoidance regime

- Losses can be used to offset against other assessable income of the business (Hobby farm as business)
Ferguson : Write off losses against his salary
FCT Walker : Deduct losses against public income

However TP must satisfy at least of of the 4 test :

- Assessable income form business at least \$20000 **S35-30**
- Business made a profit for income tax purpose for at least 3 of 5 years including current year **S35-35**
- Total value of property use is at least \$500000 **S35-40**
- Total value of other assets are at least \$100000 **S35-45**

S35-10(2E) : Not available to taxpayer with adjusted taxable income of \$250,000

S35-10(4) : Does not apply to losses incurred in primary production or professional arts businesses provided AY is < 40000

Fringe Benefits Tax (Fringe Benefit Tax Assessment Act 1986 FBTA) – 9 steps /questions to answer

Introduction :

S26(e) ITAA 1936 was inadequate to capturing all non-cash benefit provided by employers to employee. Only employee so independent contractors will fall outside the scope

Two difference between income tax and FBT :

- **S66(1) FBTA** : Impose on employer to reduce administrative burden as there are fewer employer
- **S136(1) FBTA** : FBT Transitional year only 1 months 1 July – 31 March to ensure income tax and FBT obligation are meet by TP in timely manner

STEP 1 : Identifying whether FB exist = Definition of FB : **S136(1) FBTA 5 ELEMENT TO BE DISCUSS WHEN IDENTIFYING FB**

Benefit	1.Include any right privilege, service or facility provided under an arrangement in relation to performance of work 2.Monetary or non monetary nature Slade Bloodstock Pty Ltd v FCT : Repayment of loan by employer to employee is not a benefit
Provided during the year of tax	1.Allow to confer, allow, give, grant or perform and in relation to property, the disposal of a beneficial interest in or legal ownership of the property S148(3) : Deemed to be provided eventhough it is provided but not consistent S148(4) : Benefit obtain by employee is deem to be provided if it is related to employment Westpac Bank Corporation : Application fee waive as they are employees are still benefit
By an employer, associate or third party arranger	S137 : Clear employment relationship but employee is remunerated with non-cash benefit instead of salary Employer, relatives, employer in a company.Associate => s318 1936 s 159FBTA Third party arranger : It is done so under an arrangement with the employer and employer must participate in or facilitate the provision or receipt of the benefit TR99/6 Payne v FCT : Frequent flyer points was private arrangement between employee and airline
To an employee and associate	Employee is someone who receives salary and wages and includes current, former and future employees S136(1) Ruling MT 2016 : Person is qualify to be future employee if it can besaid that the person will become an employee at time benefit is received Turn non associate to associate when benefit provided to the person dueto an arrangement between the employer and the employee s148(2)
In respect of the employment of the	The benefit must be provided by reason of, by virtue, of or for or in relation, directly or indirectly to the employment Sufficient and material relationship between employment and provision of the benefit

employee	J&G Knowles : Loan not made to director in their capacity as director but they were the ultimate owners of the business and its asset so it is not a FB Ruling MT 2019 : Benefit provided to an employee who is also a shareholder will not constitute a FB if its solely because of shareholder
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S148(1) Widen FB which state that benefit is provided in respect of the employment of the employee regardless or whether benefit

Provided in respect of another matter or thing	Offset by any inconvenience or disadvantage
Relates to past,current or future employment	Provided or used in connection with employment
Surplus to the needs or wants of the recipient	Nature of income
Provided to another person	Reward for services rendered or to be rendered by employee

Step 2 : Check whether it is excluded from the definition of fringe benefit

Exclusion ;

Salary or wages	Benefits under an employee share scheme
Superannuation contributions	Payments on termination of employment
Payment from superannuation funds	

Answer :

Salary and Wages	Comprises payments (including commissions, bonuses or allowance) to employee, company director and office holders, Commonwealth education or training payment and compensation sickness or accident payments Salary and wages comprises all amounts paid as reward for services rendered by an employee Not a FRINGE BENEFIT and is specifically excluded from the definition of a FB under s136(1)(f) It is included in the concept of salary and wages
Bonus	Not a FRINGE BENEFIT and is specifically excluded from definition of being a FB under s136(1)(f) and it is included in the definition of an salary and wages
Allowance	It is included in salary and wages so it will not be a FB and excluded from the definition
Reimbursement	It is not a real gain and under Ruling 95/12; RTA of NSW : Substance of payment Subject to fringe benefit and not excluded from definition and MUST MENTION IT IS NOT AY INCOME

Step 3 : Identify Category of Fringe Benefit that Applies

Step 5 : Taxable value

Categories of Fringe Benefits

Category	Description	Exemption	Taxable value (reduction, ODR)
Car Div 2, S7 Definition in s136(1) Taxable value refer to page 191	<p>Employer provided a car for an employee's private use S7(1)</p> <p>Traveling between home and work is not considered to be in the course of producing AY and constitute private used</p> <p>Ruling MT 2027</p> <p>S7(2) Arise where the car is garaged at or near the residence of an employee or an associate of the employee</p> <p>AAT Case 9824: Car use for business from home was FB</p> <p>Ruling MT2021 and TD 94/16 :</p> <p>Arise even employee is overseas if the car is garaged or near employees home this time. Prohibition of private use not enforced s7(4)</p> <p>ATO 2003/613 :</p> <p>Commission does not have the discretion to determine car is not available for private use when car is garaged near the employee's residence</p> <p>S7(3) : Employee or an associate of the employee has custody and control over the car and not being use for employment purpose</p> <p>S7(4) : Prohibition of the private use of the car is not strictly enforced</p>	<p>S8(2) : Exempted where the car provided is only used for work-related travel and any private use by the employee or an associate of the employee is minor, infrequent and irregular.</p> <p>S8(2)(a) : Car must be a taxi panel van, utility truck or other road vehicle not designed for the purpose to carry passengers</p> <p>S8(3) : Exempt if benefit is in relation to unregistered car</p> <p>S53 : Any expense or benefit relation to provision of car FB are exempt.</p> <p>Eg: Payment of fuel or repairs</p>	<p>S10(1) : Statutory formula applies automatically unless employer elect cost basis</p> <p>S10(5) : Cost basis disregarded when statutory formula give a lower taxable value</p> <p>S9 Statutory Formula S9(2)(a)</p> <p>1/3 reduced if fb commences at least 4 years after holding of car</p> <p>TR2011/3 : Capitalize cost in acquisition or delivery of car</p> <p>S10 Cost Formula</p>
Debt Waiver Div 3, s14	<p>S14 : Arise where an employee or associate owes an amount to an employee and the employee is released from his or her obligation to repay all or some of that amount. It must be waived due to employment relation ship</p> <p>Ruling MT 2021 : Debt is waived due to it being bad but not employment relationship could be established by showing that reasonable efforts have been made to recover the debt and the waiver is consistent with waiver of debts owed by non employees</p>		S15: Amount of the loan that no longer need to be repaid
Loan Div 4, S 16	<p>S16 : Arises in each year when an employer provides an employee (an associate) with a loan</p>	<p>S17(1)&(2) :</p> <p>Loan is provided by a person who provide loans to general public in an ordinary course of business and loan provided at an interest rate at least = to interest rate prevailing at that</p>	Formula s18

		<p>time on similar loan to the public</p> <p>S17(3) : Loan is essentially a advance to the employee so they can meet expenses that are expected to be incurred by the employee in next 6 months in the course of performing duties in employment</p> <p>S17(4) : Employee must repay loan within 12 months and provided in conjunction with certain other FB to be exempt. Pay rental bond security deposit and utility bills</p>	<p>FB represented by taxable value saved by the employee in obtaining loan through employer rather than commercial rates</p> <p>TD2014/5 : 5.95% per annum</p> <p>Reducable taxable value : \$19 : Employee was required to repay or contribute funds at the end of the loan term wholly or partly so deduction</p>
Expense payment Div 5, s20 Definition s136(1)	<p>S20(a) : An employer pays an expense incurred by the employee</p> <p>S20(b) : Reimbursement of expenditure incurred by the employee</p> <p>In-house expense payment FB relates to goods or services provided by the employer or an associate of the employer to outsiders in ordinary course of their business</p> <p>External expense payment FB is not an in-house expense payment FB and is outside the ordinary course of the business</p>	<p>S20A(1) : No-private-use declaration in respect of all of the employer expense payment FB</p> <p>S21 : Accomodation expense</p> <p>S22 : Car expense payment</p>	<p>In House expense payment FB:</p> <p>S22A : Value of the FB as if it was a property or residual FB</p> <p>External expense payment FB:</p> <p>S23 : Amount of the expense or reimbursement incurred</p> <p>Reduction in taxable value : In house FB deduct 1000 \$62</p>
Meal entertainment Div 9A, ss37AA, ss37AF	<p>SS37AA : Election to the employer for an FBT year</p> <p>SS37AF : No other FB arise if election made</p> <p>SS37AD : Meal entertainment benefit</p> <p>Arises where employer provides its employee with :</p> <ul style="list-style-type: none"> = Entertainment by way of food and drink =Accommodation or travel inconnection with entertainment by way of food or drink =reimbursement of expenses incurred in relation to above <p>TR 97/17 :</p> <ul style="list-style-type: none"> = Why is it provided. Refreshment not FB but social situation FB = Type of food or drink provided : light meal not FB 3 course meal FB = When is provided : Work hours, overtime, travelling for work 	Formula here :	<p>S37BA 50/50 Spilt Method Value will be half of the expenses incurred by the employer</p> <p>S37CA 12-week register method</p> <p>S37CB Maintain register of expenditure over 12 weeks and determine percentage of those relate to meal entertainment</p> <p>S37CC Register to be valid for</p> <p>S37CD now and next 4 years</p> <p>S37CD(2) : 12 weeks span more than 1 year then only use one</p>

	no FB = Where : employer's premises no FB, At hotel,restaurant,café FB		time S37CD(3) : Cease to valid where total expenditure exceed first year use by 20% Reduce taxable value by recipient contribution and ODR
Property Div 11 S40	S40 : Arise where an employer provides an employee with property and where employer give the employee property not just the use of it Use of property might be capture by residual FB In-house property FB relates to goods or services provided by the employer or an associate of the employer to outsiders in ordinary course of their business External property FB is not an in- house expense payment FB and is outside the ordinary course of the business	S41 Property provided to a current employee and consumed by the employee on a working day and on the business premises of the employer or related company	S42 : In house property FB (reduce taxable value by 1000 S62) 1. Property is manufactured, produced, processed or treated by the provider : (a) Sold ordinary course of business to manufacturers, wholesale, retailer- lowest price (b) Sold to members of the public – 75% of lowest price (c) Other cases – 75% amount that could reasonably be paid to acquire property in arm's length transaction 2. Taxable value lesser of :- (a) Cost of proper in arm length or (b) Amount paid to acquire in ALT 3. Other case 75% of amount paid to acquire in ALT S43 : External property FB Cost to employer or expenditure incurred by employee to provide it S44 : Recipient Contribution will reduce taxable value and ODR
Residual Div 12 S45	S45 : Catch all category to capture benefits tht o not fall into any of the categories of FB Eg : Provision of services for free or at a discount; provision of caravans at work sites for accommodation of employees and warivers of loan establishment fees ANSWER AND MENTION WHY NOT IN OTHER FB In house and external residual fringe benefit Can arise together with another FB but if fully capture then no by another FB category Westpac Banking Corporation		S47(4) : Business operation facilities such as toilets bathroom and vending machine and amenities S37(2) : Recreational or child care facilities located on employer's premises Ruling 2000/4 : Meaning of business premises S47(3) : S48 and S49 In house 1.75% lowest price of which an identical benefit sold to member of public under ALT 2.75% amount paid to acquire on ALT S50 & 51 : External Residual FB Cost of employer to incurred expenditure Reduction in taxable value : Recipient contribution and ODR

		Exemption of private use No private phone calls or personal printing and employer premises	Inhouse benefit reduce by 1000 as per s 62
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Step 4 : Exemption applies

Div 13 of FBTA Miscellaneous Exempt Benefits

1. Reimbursement for the cost of travelling to an interview or selection test in connection with an application for employment with a new employer or a promotion or transfer with an existing employer s58A
2. Various job relocation expense (ss58AA,B,C,D,E,F)
3. Certain medical benefits (SS58K,L,M)
4. Cost of providing newspaper and periodicals to employees for business purposes : S58H

Minor Benefits – S58P	Minor benefit less than \$300 will be exempted. "Notional taxable value" Taxable value of FB as determined for each category of fringe benefit taken into account any reduction for recipient contribution but not any reduction of taxable value due to application of ODR <ul style="list-style-type: none"> - Not cumulative exemption - S58P(f) Ruling TR 2007/12 must be infrequent and irregular
Work Related item – s58X	S58X(2) : Work related item such as portable electronic device, computer software, protective clothing, briefcase and tool o trades ID 2008/127 Primarily use for employee's employment S58X(3) and 58X(4) : Limited to one of each type of item unless it is a replacement item ATO ID 2008/133 portable electronic device – phones,laptop,GPS,digital assistance
Membership fees and subscriptions – S58Y	Paid for directly by the employer or by way of reimbursement : <ul style="list-style-type: none"> • Subscription to trade or professional journal • Entitlement to use a corporate credit card • Entitlement to use airport lounge membership
Single – trip taxi travel – s58Z	Single trip taxi journeys beginning or ending at the employee's place of work is an exempt benefit

Step 6 : Check if there is an reduction in taxable value

In-house fringe benefit	S62 : Reduced by \$1000 and if less than 1000 it is just reduce to nil
Recipient contribution	Not required for car debt waiver and loan FB as it has been incorporated into determination of taxable value already S22A(4) and 23 : Expense FB arises because of reimbursement and amount not consider contribution
Otherwise deductible rule	1. Not applicable for car and debt waiver FB 2. Taxable value of FB reduced by the amount which would have been deductible to the employee had the employee incurred expense directly rather than received a FB (only employee not associate of employee) 3. Only a one time only deduction 4. Applied on proportionate basis only to the extent the amount use in earning income can be deductible proportionately

Step 7 : Determine whether the FB is a Type 1 or Type 2 benefit

Type 1 s5C(3) and S149A : Input tax credits in relation to the provision of FB

Type 2 S5C(4) : Not a type 1 and employer do not have to pay GST on it and not entitled to input tax credits. Debt waiver and loan benefit are always type 2

Where the FB provided by an employer additional benefit to employee as if they acquire themselves they would have to pay.

Step 8 ; Fringe Benefit Taxable Amount

Gross up amount where employee hasn't pay GST. In 2014, rate is 47%.

Type 1 : Total taxable value of all Type 1 FB x 2.0802

Type 2 : Total taxable value of all Type 2 FB x 1.8868

Step 9 : Calculate FBT liability : FB Taxable value x 47%

Interaction with Income Tax :

* Not ordinary income : s23(1)L ITAA 1936

* Not caught by s15-2 ITAA 1997

Employee FB exceeding 2000 are required to report the fringe benefits on the employee's payment summary

Deduction : Claim deduction under s8-1 + cost of providing FB Ruling TR 95/24

TD 94/42 – Employer choose not to claim deduction for liability