

TAXATION RULING NO. MT 2044

FRINGE BENEFITS TAX: REDUCTION OF AGGREGATE TAXABLE
VALUE OF FRINGE BENEFITS - APPLICATION TO ASSOCIATES

F.O.I. EMBARGO: May be released

REF N.O. REF: 89/4533-1 DATE OF EFFECT: Immediate

B.O. REF: DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1011751	FRINGE BENEFITS TAX TAXABLE VALUE REDUCTION ASSOCIATES	FRINGE BENEFITS TAX ASSESSMENT ACT 1986: Sections 62 and 136

PREAMBLE Section 62 of the Fringe Benefits Tax Assessment Act 1986 (the Act) provides for the first \$500 of the aggregate taxable value of certain in-house fringe benefits relating to an employee in any year to be exempt from tax.

2. This office has been asked whether the exemption of the first \$500 includes benefits provided to an associate of the employee or whether the \$500 exemption is restricted to benefits provided to employees only.

3. It has been suggested that section 62 has no application to benefits provided to associates of employees because the provision only refers to benefits that relate to an employee.

RULING 4. The term "eligible fringe benefit" in section 62 is defined to mean an in-house fringe benefit or an airline transport fringe benefit. These terms, which are defined in subsection 136(1), rely on the meaning of the term "fringe benefit" which is also defined in subsection 136(1). As far as is relevant a "fringe benefit" is defined to mean a benefit provided to an employee or to an associate of the employee in respect of the employment of the employee. It follows that "eligible fringe benefits" in section 62 includes benefits provided to associates of an employee.

5. Section 62 applies to benefits which "relate to a particular employee". The word "relate" is not specifically defined in the Act and therefore has its ordinary meaning. The Concise Oxford Dictionary defines "relate" to mean "...establish relation between; connected; allied". The Macquarie Dictionary, in so far as is relevant, defines "relate" to mean "to bring into or establish association, connection, or relation". It is therefore considered that a benefit will "relate" to an employee if the provision of that benefit is connected to or associated with the employee. As a benefit provided to an associate of an employee must be in respect of the employment of the employee, the provision of the benefit is therefore connected to or

associated with the employee. In other words it relates to the employee.

6. In view of the above it follows that the exemption under section 62 of the first \$500 of the taxable value of "eligible fringe benefits" applies in respect of the total benefits provided to each employee and his or her associates in a particular year.

COMMISSIONER OF TAXATION
21 December 1989