TD 93/76 - Fringe benefits tax: do redeemable vouchers awarded to staff on a regular basis as part of an ongoing incentive scheme qualify as exempt minor benefits in terms of section 58P of the Fringe Benefits Tax Assessment Act 1986 ?

This cover sheet is provided for information only. It does not form part of *TD 93/76 - Fringe benefits tax: do redeemable vouchers awarded to staff on a regular basis as part of an ongoing incentive scheme qualify as exempt minor benefits in terms of section 58P of the Fringe Benefits Tax Assessment Act 1986 ?*

This document has changed over time. This is a consolidated version of the ruling which was published on *29 April 1993*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of PartáIVAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part . Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

Fringe benefits tax: do redeemable vouchers awarded to staff on a regular basis as part of an ongoing incentive scheme qualify as exempt minor benefits in terms of section 58P of the *Fringe Benefits Tax Assessment Act 1986 ?*

1. No. Section 58P sets out the conditions under which a "minor benefit" provided in respect of the employment of an employee of an employer is treated as an exempt benefit for fringe benefits tax purposes.

2. The exemption for minor benefits does not extend to airline transport benefits, in-house fringe benefits, and certain minor entertainment benefits provided by tax exempt bodies.

3. A benefit is an exempt benefit under section 58P if its value is small, and after having regard to various matters specified in paragraph 58P(1)(f), it would be unreasonable to treat the benefit as a fringe benefit.

4. The specified matters in paragraph 58P(1)(f) together with comments directed to redeemable vouchers, are:

(a) *The infrequency and irregularity with which similar or identical benefits are provided.*
Due to the structured nature of the incentive scheme., i.e., a regular and ongoing award scheme incorporated for the benefit of employees, benefits would normally be provided on a regular and ongoing basis.

(b) *The sum of the notional taxable value of such benefits and any other similar or identical benefits provided in the current year of tax or any other year of tax.*
Most incentive schemes normally provide for monthly payments over more than one year of income.

(c) *The sum of the notional taxable value of such benefits and other associated benefits.*
Most incentive schemes normally provide for monthly payments over more than one year of income.

(d) *The practical difficulty for the employer in determining the taxable values of such benefits.*
There would be little if any difficulty for the employer as the vouchers have specified amounts on them.

(e) *The circumstances in which such benefits are provided , including whether the benefits concerned were provided otherwise than wholly or principally by way of a reward for services rendered, or to be rendered by the employee.*
Awards such as redeemable vouchers or other payments in kind provided by an employer to an employee under a staff incentive scheme are regarded as being principally in the nature of remuneration to the employee as a reward for services

rendered by the employee to the employer.

5. In our view, it is not unreasonable to treat benefits received under such incentive schemes as a fringe benefit. Accordingly, redeemable vouchers received under these schemes are not an exempt benefit under section 58P.

Examples:

1. A and B Sales Pty Ltd operate a monthly Sales Incentive Scheme for the benefit of its employees. Employees who achieve 95% or more of monthly sales targets are rewarded with vouchers having a face value of $30 redeemable for goods or services at the M and N Discount Store. As the vouchers have been awarded in respect of services rendered by the employee to the employer, and the vouchers can reasonably be expected to be frequent and/or regular , the benefit received does not qualify for exemption under section 58P.

2. XYZ Manufacturing Pty Ltd operate a monthly Productivity Award Scheme for the benefit of its employees. Employees who provide additional or improved labour productivity to the employer are rewarded with vouchers having a face value of $35 redeemable for goods or services at the Busy Bee Supermarket. As the vouchers have been awarded in respect of services rendered by the employee to the employer, and the vouchers can reasonably be expected to be frequent and/or regular , the benefit received does not qualify for exemption under section 58P .

Commissioner of Taxation
29/04/93

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