TD 93/96 - Fringe benefits tax: does an employer have a liability under the Fringe Benefits Tax Assessment Act 1986 in relation to the payment of costs for a home telephone of an employee?

This cover sheet is provided for information only. It does not form part of *TD 93/96 - Fringe benefits tax: does an employer have a liability under the Fringe Benefits Tax Assessment Act 1986 in relation to the payment of costs for a home telephone of an employee?*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA 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: does an employer have a liability under the *Fringe Benefits Tax Assessment Act 1986* in relation to the payment of costs for a home telephone of an employee?

1. Yes. These costs are regarded as an expense payment benefit under section 20.

2. The employer's fringe benefits tax liability is based on the personal use of the telephone by the employee. The taxable value of the benefit, which is the telephone cost paid for by the employer, is reduced by that proportion of the telephone expense that the employee would have been entitled to claim as an income tax deduction, if he/she had not been paid or reimbursed by the employer. This is in accordance with the 'otherwise deductible rule' of section 24.

3. The employer requires a written declaration from the employee (in the approved format) before the due date of lodgment of the FBT return. This declaration should detail the total expense relating to the telephone and a reasonable estimate of the percentage of the costs that relate to business activities. This percentage should take into account the rental portion of the telephone bill where the employee is on-call or is regularly required to telephone the employer, and would therefore have been entitled to an income tax deduction for that amount if he or she had incurred the telephone expense (see IT 85).

Example:

WXY pays for the cost of an employee's home telephone totalling $150. The total cost comprises $100 for calls and $50 for rental. The employee's declaration in the approved format details the total expense relating to the telephone and that 50% of the calls are for business purposes. The employer is subject to fringe benefits tax on the following amount:

i) $100 (being the total of $150 less $50 for business purposes), if the employee is not on-call or is not regularly required to telephone the employer, or

ii) $75 (being the total of $150 reduced by 50%), if the employee is on-call or is regularly required to telephone the employer.

Commissioner of Taxation
3/6/93

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