

Cover sheet for: TR 2001/2A3 - Addendum

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Addendum

Taxation Ruling

Fringe benefits tax: the operation of the new fringe benefits tax gross-up formula to apply from 1 April 2000

This Addendum amends Taxation Ruling TR 2001/2 to take account of the changes in the FBT rate from 1 April 2006 and consequential adjustments to the type 1 and type 2 gross-up rates.

Taxation Ruling TR 2001/2 is amended as follows:

1. Paragraph 5

After the paragraph insert:

5A. The numbers and examples which use the FBT rate of 48.5% throughout this Ruling are relevant for the FBT years from 1 April 2000 to 31 March 2006. The changes with effect from 1 April 2006, are as follows:

- FBT rate changed from 48.5% to 46.5%;
- higher gross-up rate changes from 2.1292 to 2.0647; and
- lower gross-up rate changes from 1.9417 to 1.8692.

5B. The examples that appear in this Ruling for both type 1 and type 2 benefits have been calculated on the former gross-up rates as listed above. This will necessitate substituting those rates with the new gross-up rates when establishing the fringe benefits tax payable from 1 April 2006.

2. Paragraph 10

After:

(48.5%).

insert:

From 1 April 2006, the FBT rate will be 46.5%.

3. Paragraph 15

After:

(10%).

insert:

From 1 April 2006 when the FBT rate is 46.5%, this will result in a type 1 gross-up rate of 2.0647.

4. Paragraph 19

After:

(48.5%).

insert:

From 1 April 2006 when the FBT rate is 46.5%, this will result in a type 2 gross-up rate of 1.8692.

5. Paragraph 48

After:

The higher gross-up rate is therefore 2.1292.

insert:

Where the FBT rate is 46.5% and GST rate is 10% the formula becomes:

$$\begin{aligned} & (0.465 + 0.1) / ((1 - 0.465) \times (1 + 0.1) \times (0.465)) \\ & = (0.565 / 0.2736525) \\ & = 2.0647 \end{aligned}$$

6. Paragraph 49

After:

\$14,521

insert:

(Note: All examples below for both type 1 and type 2 benefits have been calculated on the former gross-up rates, using an FBT rate of 48.5%.)

7. Paragraph 60

After:

The lower gross-up rate is therefore 1.9417.

insert:

Where the FBT rate is 46.5% the formula becomes:

$$1/(1-0.465)$$

$$= 1/0.535$$

$$= 1.8692$$

Commissioner of Taxation12 July 2006

ATO references

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ATOlaw topic: Fringe Benefits Tax -- Employer fringe benefits taxable amount

Fringe Benefits Tax -- Gross-up formula