



## Financial and Business Services Division

# FBT Travel Benefits Guide

This guide is pursuant to the Fringe Benefits Tax operational policy and procedure.

### GENERAL

- 1 General information on fringe benefits, how Fringe Benefits Tax (FBT) applies to the University and how it is processed is contained in the [Fringe Benefits Tax—General guide](#). This guide must be used in conjunction with it.
- 2 In some circumstances travel is subject to FBT (see paragraphs 7–24 and 34).
- 3 A travel activities diary must be completed in some circumstances (see paragraphs 25–33).
- 4 Frequently asked questions relating to FBT and travel are provided in paragraph 35.
- 5 To ensure the University minimises its FBT liability and complies with FBT legislation, travel arrangements must be made in compliance with the Travel Benefits guide.
- 6 All domestic/international travel arrangements requiring air travel must be authorised using the [Travel Database](#).

### Travel and FBT

- 7 Travel is subject to FBT when:
  - private travel for a staff member or their associate (e.g. partner) is paid for or reimbursed by the University, a related entity or by a third party under arrangement (see paragraph 6 of Fringe Benefits Tax—General guide), or
  - travel activities diary requirements have not been complied with.
- 8 If the staff member reimburses the University with the amount that is subject to FBT (i.e. employee contribution) no FBT will arise, but the University must issue a receipt to the employee to substantiate the FBT reduction. The staff member must enter the cashier's receipt number on the Travel Booking Requisition form and ensure a copy of the receipt is attached to the form.

### Business and Private Travel

- 9 In some circumstances private travel is clearly separate and distinguishable from University business (e.g. where a staff member holidays in Hawaii following the conclusion of University business in London).
- 10 There are, however, cases where private travel is not clearly separate and distinguishable from University business (e.g. where a staff member travels to London on University business to attend a conference, but the travel includes a private visit to Liverpool or an extended private trip in London).
- 11 University business travel is defined by the University to include days spent on University business such as conferences, research, related activities and travel time. It also covers unavoidable time spent between business activities due to scheduling issues, including weekends and public holidays. (e.g. A staff member attends a four-day conference from Monday to Thursday; Friday is a public holiday; and the person attends another conference on Monday. The public holiday and weekend days are considered to be business travel as they are unavoidable time between business, i.e. conference activities).
- 12 Private travel considered to be 'incidental' to business travel does not attract FBT. In cases when private travel is considered to be **more** than incidental to the business travel, the expenditure may incur FBT.
- 13 Generally, in determining when private travel will be considered more than incidental each case has to be analysed separately. In all instances, to be considered incidental, private travel (in days) must not exceed business travel. **In addition:**

- for a one-week conference one to two private days would be considered incidental and would not incur FBT
  - for a two-week conference one to three private days would be considered incidental and would not incur FBT
  - for a three-week conference one to four private days would be considered incidental and would not incur FBT
  - for a four-week conference one to five private days would be considered incidental and would not incur FBT.
- 14 Private travel days in excess of the guidelines in paragraph 13 will be deemed as more than incidental and subject to FBT unless it qualifies for one of the exceptions below:
- Where 50% of the airfare (or a lesser expenditure amount subject to FBT calculated as per paragraph 20) and 100% of all other costs incurred during the private period are paid or reimbursed by the staff member from after tax dollars (see paragraph 22). The University must have proof that the employee contributed to the private portion of the travel by providing a receipt to the employee to substantiate FBT reduction.
  - Where the travel and staying time between business places or activities is considered to be 'reasonable' (e.g. where a staff member attends a conference in London followed by a conference in New York, and it would be unreasonable to expect them to return to their usual place of employment at Deakin Geelong between conferences.)
  - Where travel within the 'incidental' guidelines in paragraphs 12 and 13 is not possible (e.g. because of unavailability of flights) or not appropriate (e.g. because extra time is needed for physical recovery from flight or conference). This is only applicable in exceptional circumstances and the staff member must stay in the area of University business. Exceptions of this type must be supported by evidence (e.g. a transcript of flight unavailability). In all cases a travel activities diary notation must be entered with an explanation for justification of the exception. Where a travel activities diary is not required (see paragraph 26) evidence and an explanation must be attached with related documentation (e.g. airfare invoice/statement).
  - Where the FBT Officer assesses the private travel that is combined with University business to be incidental (see paragraph 15).
- 15 A budget centre may request an assessment of the FBT status of travel from the FBT Officer. This requires the provision of full travel details. The FBT Officer will then notify the budget centre of the FBT position.
- 16 If travel is subject to FBT (i.e. where private travel is more than incidental) the budget centre must advise the staff member travelling **and** the officer authorising the travel expenditure.
- 17 For further guidance on determining private travel, see the frequently asked questions in paragraph 35.

#### **Determining Private Travel—Underlying Principle**

- 18 In making a determination as to whether a particular day is considered to be business or private, the underlying principle outlined below should be kept in mind:

*'If I were travelling solely for University business, when would I leave, and when would I return?'*

#### **Calculating FBT**

- 19 Budgetary travel considerations must include the impact of FBT when private travel is involved.
- 20 Where private travel is more than incidental, the travel is considered to have a dual purpose (business and private) and FBT is applicable as follows:
- 20.1 on all non-airfare expenses relating to the private portion of the trip that is more than incidental
- 20.2 on airfare expenditure for whichever of the following is the lesser amount:
- 50% of the total airfare cost. (Using the example in paragraph 9, the total business-class airfare return cost is \$5,000. FBT is applicable on \$2,500. Using the example in

paragraph 10, the total business-class airfare return cost is \$4,000. FBT is payable on \$2,000.)

- The value of the normal fare from Melbourne to the place that is considered recreational. The value of the type of fare should be consistent with the class of seating (economy, business, etc.) This standard fare is then deemed to be the value of the fringe benefit provided to the employee. (Using the example in paragraph 9, if the business-class fare from Hawaii to Melbourne is valued at \$1,500, then FBT is payable on \$1,500.)
  - The value determined by an apportionment of the kilometres travelled for private purposes divided by the total kilometres travelled, multiplied by the value of the total airfare cost. A reasonable estimate of the private and total kilometres can be made by obtaining data on distances from the following site: [www.etn.nl/distance.htm](http://www.etn.nl/distance.htm) (select flying distances between 325 major airports in the world). (Using the example in paragraph 9, the distance from Melbourne to London is 16,893 km; London to Hawaii is 11,624 km; and Hawaii to Melbourne (private travel) is 8,870 km. With a total business-class airfare return cost of \$5,000 and total kilometres of 37,387, FBT is payable on \$1,186—i.e. private distance is 23.72% of total distance.)
- 21 The officer authorising the travel expenditure must ensure that the expenditure has been correctly assessed for FBT.
- 22 If FBT is applicable staff must refer to and apply the FBT codes (see paragraphs 14 and 15 of the [Fringe Benefits Tax—General guide](#)).
- 23 Account 6920 Travel - Domestic - FBT Taxable or 6921 Travel – Overseas – FBT Taxable are to be used in all instances when:
- Travel expense is subject to FBT eg. travel database booking allocation entry (even when all or part of the expense is to be reimbursed by staff)
  - Staff make an employee after tax payment or reimbursement to reduce or eliminate the travel expense that is subject to FBT - payments are to be made at cashiers office (see paragraph 35 FAQ 11)
- 24 **Example 1 – Private domestic travel subject to FBT but no employee contribution** - A business trip includes private travel that is more than incidental as per guidelines. Staff member is to personally pay for all non-airfare private travel expenses that would normally be subject to FBT if paid or reimbursed by Deakin. Total GST inclusive cost of return airfare is \$1,100. FBT is applicable on 50% of the airfare i.e. \$550 (\$500 expense and \$50 GST). The staff member makes no contribution towards the airfare travel expense that is subject to FBT. Account 6920 (domestic) must be used when allocating the \$500 expense eg. travel database booking allocation entry. FBSD will charge FBT on the \$550 GST inclusive cost of the airfare.
- 25 **Example 2 - Private domestic travel subject to FBT and employee contribution** - As per example 1 above but staff member makes a post tax contribution of \$550 towards the airfare travel expense that is subject to FBT. Account 6920 (domestic) must be used when allocating the \$500 expense eg. travel database booking allocation entry **AND** when allocating the \$550 contribution payment at the cashiers office. The cashier payment must be processed as a GST taxable receipt. No FBT will be charged.
- 26 **Example 3 - Private overseas travel subject to FBT and employee contribution** - As per example 2 above but as there is no GST on overseas airfares the staff member makes a post tax contribution of \$500 towards the airfare travel expense that is subject to FBT. Account 6921 (overseas) must be used when allocating the \$500 expense eg. travel database booking allocation entry **AND** when allocating the \$500 contribution payment at the cashiers office. The cashier payment must be processed as a GST Free receipt. No FBT will be charged.
- 27 Travel that is subject to FBT is a reportable payment and may appear on the staff member's payment summary. (See paragraph 9 of [Fringe Benefits Tax—General guide](#))
- 28 The staff member is expected to book the appropriate annual or long-service leave when private travel that is subject to FBT is to be taken.

#### Travel Activities Diaries

- 29 A [Travel Activities Diary](#) must be kept by the University in respect of certain travel undertaken by an employee. There are two circumstances where a travel activities diary must be kept:

- a travel activities diary must be completed for **all** overseas travel
  - travel in Australia for more than five nights where the travel is not exclusively for University business (The fact that the business travel requires the employee to be away over a weekend will not, in itself, mean that the trip is not undertaken exclusively in the course of employment)
- 30 A business trip within Australia exclusively for University purposes does not require a travel activities diary, regardless of the length of stay.
- 31 In all circumstances including travel within Australia, it is the responsibility of the staff member travelling to determine whether a [Travel Activities Diary](#) is required and obtain the travel activities diary together with the [Travel Activities Diary Information](#). These documents are available on-line from the above links.
- 32 The travel activities diary must be completed by the employee undertaking the travel and must include:
- Date of Diary Entry
  - Place of Activity
  - Date Activity Commenced
  - Time Activity Commenced
  - Duration of Activity
  - Nature of Activity
  - Details of expenditure listed in the Expense Diary for which no receipt/invoice was obtained and must be accompanied by a statutory declaration.
- 33 The ATO Commissioner has indicated that either of the following alternative forms of records are acceptable in place of travel activities diaries:
- a detailed conference schedule which contains all of the details in paragraph 28 and where attendance or variation is endorsed by the employee
  - a detailed travel itinerary prepared in advance of the trip which contains all of the details outlined in paragraph 28 and is signed by the employee as a correct record of the activities undertaken on the trip, or records any variations that occurred
- 34 The staff member must ensure that the travel activities diary complies with the ATO substantiation requirements (see paragraphs 28–9) and University requirements specified on the [Travel Activities Diary Information sheet](#).
- 35 The travel activities diary must be signed by the staff member travelling and forward the travel diary electronically to the following email address: [travel.diary@deakin.edu.au](mailto:travel.diary@deakin.edu.au) within 14 days of completing the journey, otherwise FBT will be charged.
- 36 The travel activities diary including all travel related documentation will be available for scrutiny by Internal Audit Office, Financial and Business Services Division and ATO auditors as required.
- 37 If an employee fails to comply with the travel activities diary requirements, the University will be subject to FBT on all the relevant travel costs.

#### **Travelling with Associates**

- 38 Where employees travel with an associate (e.g. partner), FBT is payable on any costs borne by the University for the associate. A travel activities diary or other expense-payment substantiation is not required for associates.

#### **Frequently Asked Questions (FAQ's)**

- 39 The following frequently asked questions may help in determining your travel FBT liabilities and responsibilities:

**1. I have to travel on Sunday to be able to attend my conference first thing Monday morning. Is this considered to be a business day or a private day?**

If it is necessary to travel on Sunday, due to flight availability or an early start, then it would be considered a business day. Travelling for an early start the following morning will not be

considered business when it is a morning arrival and the conference commences the following morning.

**2. I have to travel Sunday for an early start on Monday for a one day conference interstate and plan to return Wednesday. What are the FBT implications?**

Provided you do not arrive in the morning on Sunday it will be considered a business day. The private travel is considered to be incidental to the business travel as the number of private days (two) does not exceed the number of business days (two) as outlined in paragraph 13. The private travel is not subject to FBT.

A travel activities diary would not need to be completed as the travel is in Australia and the number of days does not exceed five nights.

**3. I have a one day conference interstate on Monday with same day arrival and plan to return Wednesday. What are the FBT implications?**

The private travel is considered to be more than incidental to the business travel as the number of private days (two) exceeds the number of business days (one) as outlined in paragraph 13. The travel is subject to FBT as outlined in paragraph 20.

Even though the travel is subject to FBT a travel activities diary would not need to be completed as the travel is in Australia and the number of days does not exceed five nights.

**4. I am staying in Melbourne for five days for a conference and plan to stay two extra private days. Do I need a travel activities diary?**

Yes, a travel activities diary is required as you are away for more than five days and the trip is not exclusively for business.

The private travel is considered to be incidental to the University business travel as the number of private days (two) does not exceed the number of business days (five) and is acceptable for a one-week conference. The private travel is not subject to FBT.

**5. I have a conference in Sydney commencing on Monday and finishing on Friday. I would like to leave on the Sunday before and return on the following Sunday. What are the FBT implications?**

Unless it was necessary to travel on Sunday before the conference due to flight availability or an early start, the private travel would be considered more than incidental and subject to FBT as outlined in paragraph 20. Private days total three (one before and two after) and the business days total five.

A travel activities diary would need to be completed for the entire period as the travel exceeds five nights and the trip is not exclusively for business.

**6. I have a conference in Brisbane commencing on Monday and finishing the following Monday. The weekend is private time. I am arriving Monday morning and leaving the following Monday night. What are the FBT implications?**

A travel activities diary would not need to be completed as the travel is exclusively for business. The weekend although private, would be regarded as University business as it is unavoidable time spent between business activities i.e. conference activities.

As there is no private travel there is no FBT.

**7. I have a four-week course in Western Australia and would like to have five days annual leave after the course. What are the implications?**

The private travel is considered to be incidental to the University business travel as the number of private days (five) does not exceed the number of business days (20) and is acceptable for a four-week conference. The private travel is not subject to FBT.

A travel activities diary would need to be completed for the entire period as the travel exceeds five nights and the trip is not exclusively for business.

**8. I am travelling interstate to two conferences. One commences on Monday and finishes on Wednesday. The next conference commences on the following Monday. Are the days in between the conferences business or private?**

The in-between days are to be carefully reviewed to consider whether they are considered to be unavoidable and reasonable (see paragraph 11). In this case it would be reasonable to expect the staff member to return home between conferences in the normal course of business. Accordingly, the in-between days would be regarded as private and the travel would be subject to FBT if the staff member stayed on between conferences and the University paid for the travel. In some instances it may be more cost-effective to stay on and incur FBT, than to return later to avoid FBT. The decision to approve travel should consider this.

The key issue to be kept in mind is the underlying principle outlined at paragraph 18:

'If I were travelling solely for University business, when would I leave, and when would I return?'

A travel activities diary would need to be completed for the entire period as the travel exceeds five nights and the trip is not exclusively for business.

**9. How do I allocate the travel expense when subject to FBT and no staff contribution is involved?**

Refer to paragraph 22 - Example 1.

**10. How do I allocate the travel expense when subject to FBT and staff contribution when a staff contribution is involved?**

Refer to paragraph 22 - Example 2 for domestic travel and Example 3 for overseas travel and FAQ 11.

**11. If I have to reimburse the University how do I do it?**

All staff payments and reimbursements must be from after tax dollars and credited to account 6920 Travel - Domestic FBT Taxable or account 6921 Travel – Overseas FBT Taxable i.e. XXXX XXXXX 6920/6921 XX XX. You will need to consult your budget centre and obtain the other account details of the relevant DFMS account number to which your payment will be credited.

Where GST is applicable on the expenditure you are reimbursing eg. domestic airfare, your reimbursement should be based on the GST-inclusive price and the cashier payment must be processed as a GST Taxable receipt. Where GST is not applicable on the expenditure you are reimbursing eg. overseas airfare, your reimbursement should be based on the GST-exclusive price and the cashier payment must be processed as a GST Free receipt.

You should take these details to the University Cashier and pay the amount due. The staff member must enter the cashier's receipt number on the [Travel Database](#) and ensure a copy of the receipt is attached to the Travel Booking Requisition. The receipt must be sighted by the officer authorising the travel expenditure who must ensure that the expenditure has been correctly assessed for FBT (paragraph 21).