

FRINGE BENEFITS TAX AND THE ADF FAMILY HEALTH TRIAL

The benefits associated with the trial for ADF Family Health will be considered fringe benefits under the *Fringe Benefits Tax Assessment Act 1986*.

The benefits will be subject to Fringe Benefits Tax (FBT) and payment summary reporting as part of a member's Reportable Fringe Benefits Amount (RFBA).

Payment Summary Reporting

If a member receive over \$2,000 in reportable fringe benefits¹ per FBT year (between 1 April to 31 March) from Defence, Defence is required to report the grossed-up fringe benefits amount on your annual payment summary. The amount on your payment summary is called a "reportable fringe benefits amount" (RFBA).

Example: if a member receives \$2,001 worth of reportable fringe benefits, Defence will pay \$1,739 FBT to the ATO and will report \$3,740 on the members' payment summary.

The \$3,740 is calculated by multiplying \$2,001 by a gross-up rate of 1.8692. The \$3,740 is the RFBA that will be reported on the members' payment summary.

The FBT will be paid by Defence **and not by the member**.

The first reporting period for benefits associated with this trial will be tax year 2009-10. If you have any questions or concerns related to the benefits that may be received during 2009-10 please contact the Defence Management Taxation Office:

Email: taxation.management@defence.gov.au or Phone: 1 800 806 053.

An RFBA on a member's payment summary may impact the member's entitlement to various income-tested government benefits and liability for obligations including:

- Family Tax Benefit
- Higher Education Loan Programme repayments
- Child Support payments

As per existing reportable fringe benefits requirements, a record of visits will be maintained by the Defence Management Taxation Office. This record will indicate that a reportable fringe benefit was received, the value of the benefit, the dependant that utilised the benefit and the date of the benefit. This information will be available through PMKeyS Self Service at the end of the FBT year.

Dependants registered for the trial, but not utilising the benefits associated with the trial, will not incur any fringe benefit.

Examples of how fringe benefits tax may affect you can be found on the reverse.

¹ Not all fringe benefits received by ADF members are reported on the member's payment summary. Some fringe benefits have been excluded from payment summary reporting. Fringe benefits that are subject to payment summary reporting are called "reportable fringe benefits".

How Fringe Benefit Tax may affect you.

Example 1: An ADF family with a member and a spouse and two children.

- The spouse and two children each access the dental services under the program up to the cap of \$300 and have five (5) medical consultations within 12 months from 1 April to 31 March the following year.
- The taxable value of the dental services: $3 \times \$300 = \900
- The taxable value of the medical services: $3 \times 5 \times \$19 = \285
- The total taxable value of the AD Family Health services for the ADF member for a year: \$1,185

If the member does not receive any other Defence provided reportable fringe benefits during the year, this ADF Family Health service benefit will not be reported on the member's payment summary as the total taxable value is below the payment summary reporting threshold of \$2,000.

Example 2: An ADF family with a member and a spouse and 5 children.

- The spouse and all children each access the dental services under the program up to the cap of \$300 and have five (5) medical consultations within 12 months from 1 April to 31 March the following year.
- The taxable value of the dental services: $6 \times \$300 = \$1,800$
- The taxable value of the medical services: $6 \times 5 \times \$19 = \570
- The total taxable value of the ADF Family Health services for the ADF member for a year: \$2,370.

The taxable value of the ADF Family Health services will be reported on the member's payment summary as the total taxable value is greater than the payment summary reporting threshold of \$2,000. Tax law requires this to be 'grossed-up' by 1.8692 resulting in \$4,430 to be included in the RFBA on the member's payment summary.

Seeking Financial Advice

As each financial situation is different, we recommend that you seek financial advice related to your specific circumstances before registering for the trial.

To find out more about FBT, the following resources are available:

Defence Tax Management Office (DTMO)

taxation.management@defence.gov.au

PH: 1 800 806 053

ADF Financial Services Consumer Council

www.adfconsumer.gov.au

Finance in Defence

<http://intranet.defence.gov.au/find/tax/fbt/index.html>

Australian Taxation Office

<http://www.ato.gov.au/>