I write to advise you that a new Finance Policy and Procedure has been created called **Combining Business and Private Travel**. In addition, consequential amendments have been made to the **Fringe Benefits Tax Policy and Procedures**, the **Policy on Travel, Accommodation and Subsistence** and the associated **Travel Procedures**.

**Background**
On 13 October 2011 I wrote to all Major Cost Centre heads on this matter and provided draft policy and procedure documents for comment. Thank you for the comments that were received. Minor amendments were made to the draft policy and procedures and the final versions have been approved by the Vice-President (Strategic Finance and Resources).

The prime purpose of the policy and procedures is to help manage the University's fringe benefits tax (FBT) risk where staff travel on University business and combine a portion of private travel.

Under long standing Australian tax law, the University may be liable to pay FBT in cases where private travel is combined with business travel. This applies even if the University pays nothing directly towards the private component, as FBT can be charged on the airfare. For example, if a person attends a five day business related conference in France, and then includes a further ten days holiday in France, the University would be liable to pay FBT on two thirds of the airfare, unless the staff member paid for that portion of the airfare.

The general rule that is included in the policy is that where the days spent on private travel exceed business days, the staff member will be required to pay for the pro rata share of the airfare from personal funds, to avoid the FBT that would otherwise be incurred. This is an interpretation of a current taxation requirement, not a discretionary decision of the University. Attachment 1 provides further details including worked examples to provide greater clarity to managers approving travel.

Minor amendments have been made the **Fringe Benefits Tax Policy and Procedures**, the **Policy on Travel, Accommodation and Subsistence** and **Travel Procedures** to reflect the new policy and to improve wording.

The new **Combining Business and Private Travel Policy and Procedures** is located at –  

**Fringe Benefits Tax Policy and Procedures** –  

**Policy on Travel Accommodation and Subsistence** –  

**Travel Procedures** –  
In accordance with the Policy Development, Approval and Review Policy a copy of the new Combining Business and Private Travel Policy and Procedures is provided at Attachment 2 and revised FBT and Travel Accommodation and Subsistence policies and procedures, showing the changes made, are provided at Attachments 3 to 5.

Suggested Action
As the new policy and procedure potentially affect all staff who undertake University travel, it is requested that you promulgate these documents widely, especially to all staff who authorise travel. I will be circulating the document through the finance bulletin which captures most staff with finance responsibilities.

The University Taxation Account, Robert Tidswell, is available to attend meetings if that would assist in increasing awareness and understanding of the policy and procedures. Please contact Robert directly on 12040 or Robert.tidswell@flinders.edu.au to arrange a mutually convenient time.

Daniel Flaherty
Director Financial Services
Fringe Benefits Tax - University Travel – Private Travel

Examples

1. I am travelling interstate for a 3 day conference, Monday – Wednesday and would otherwise travel home on Wednesday but I wish to travel home on Friday and my supervisor has approved the extra days of leave that this would entail. The primary purpose of the trip is University business.

No FBT will be incurred because the private days do not exceed the business days (3 business days and 2 private days). In this example staff would be required to apply for 2 days annual leave or LSL.

2. I am travelling interstate for a 3 day conference Monday - Wednesday and would otherwise travel home on Wednesday but I wish to travel home on the following Sunday evening and my supervisor has approved the extra days of leave that this would entail.

Where private days exceed business days, it is difficult to sustain the argument that the prime purpose is for business. Therefore, FBT will be incurred as the private days exceed the business days. (ie 3 business days and 4 private days). In this example staff would be required to apply for 2 days annual leave or LSL.

Note that the assessment of private days does not change where the private days are on a weekend.

(a) Flight cost = $330 (including GST)
(b) Private component = 57% (4 of 7 days)

Private component: (a) x (b) = 330 x 57%

Private component to be reimbursed by the employee = $188.10 (including GST).

3. I've planned a 12 day private trip to New Zealand and I've now discovered that there is a 5 day conference at the same time. I would like the University to reimburse me the cost of my trip to New Zealand.

As the predominant purpose of this trip is a personal holiday, FBT will be incurred if the University chooses to reimburse the staff member the full amount of the flights to New Zealand. FBT wouldn't be incurred if only the extra costs of attending the conference were reimbursed (ie. cost of any travel required from the holiday destination to the conference venue and reasonable accommodation for the conference duration). In this example the University may choose to reimburse the business component of the airfare. In addition staff would be required to apply for annual leave or LSL for the days during the working week as part of the private component of this travel.

(a) Flight Cost = $1,000
(b) Private component = 58% (7 of 12 days)

Private component: (a) x (b) = 1,000 x 58%

Private component = $580.00

**Business component of the airfare = $420.00**

(The University may choose to reimburse this component of the airfare)
Fringe Benefits Tax - University Travel – Private Travel

Examples

4. I have a 2 day conference in London on Monday – Tuesday and then a 2 day conference in the following week in Paris on Thursday – Friday. I'm leaving Australia on Saturday and arriving in England on Sunday and then leave Paris on the following Saturday after the second conference arriving home on Sunday. If it weren't for the conferences, I wouldn't be travelling.

4 days are spent travelling and 4 days at conferences. Away for 16 days in total — therefore 8 private days. As the predominant purpose is University business and the private days do not exceed the business days and they are unavoidable between business components (i.e., it doesn't make sense to travel back to Australia between conferences), no FBT would be incurred. In this example staff would be required to apply for 6 days annual leave or LSL for the days during the working week as part of the private component of this travel.

5. I am attending a 5 day conference in London and am having another 4 days annual leave in the Greek Islands on my way home. I am paying for the flights from London to Greece, but the University is paying for the flights to London and home from Greece.

FBT would not be incurred provided the return flight from Greece doesn't cost more than the return flight from the business destination (i.e., London). The staff member should obtain documentation that verifies that the change in departure destination does not cost extra. In this example staff would be required to apply for annual leave or LSL for the days during the working week as part of the private component of this travel.

Contact for enquiries
Robert Tidswell, Taxation Accountant ☎ 12040 or robert.tidswell@flinders.edu.au
FLINDERS UNIVERSITY

Combining Business and Private Travel – Policy and Procedures

1. Preamble

1.1 Staff may seek approval to extend travel conducted for University business purposes to take leave and undertake private travel. In such cases a portion of the travel costs may constitute a taxable benefit and incur a Fringe Benefits Tax (FBT) liability.

1.2 In accordance with the Policy on Travel, Accommodation and Subsistence, staff members authorising University travel must be satisfied that the travel constitutes an appropriate expenditure of University funds.

2. Definitions

2.1 Business Activities: are activities undertaken by an employee (eg attendance at a meeting, attendance at a conference, field research, giving a lecture) relating to their work as a University employee. Business activities also include travel days (except travel days solely for private purposes) and days between business activities where it is impracticable to return to the University.

2.2 Employee: for fringe benefits tax purposes means a University employee which includes academic staff, general staff and casual staff but does not include students. Certain former academic staff may also be considered to be employees for fringe benefits tax purposes.

2.3 Incidental travel: refers to travel where the predominant purpose is clearly for University business purposes and the private travel component is secondary, that is, where the private travel (in days) does not exceed the business travel.

2.4 Private Component: of a trip refers to the days when an employee is undertaking no or minimal business activities. For the purposes of this policy, private days include weekends, public holidays and any other days where no or minimal University work is undertaken, other than those days in 2.1 above. The terms ‘Private Travel’ and ‘Private Component’ are used interchangeably in this policy.

2.5 Travel Days: are the reasonable number of days taken to travel directly to and from the work destination without taking into consideration any private arrangements. Travel days would also include a rest day taken directly after an overnight economy flight.

2.6 Minimal University work: generally means less than 4 hours of business activities in any given day.

3. Policy

3.1 When private travel is combined with travel for University business and the private component (in days) exceeds the business activities (in days), the private component of the trip will be considered to be more than incidental and will be subject to FBT. In such cases the cost of the travel (including but not limited to flight costs) will be apportioned between the two purposes, the business activities (in days) and the private component (in days). The employee must reimburse the University for the cost of private component of the travel, thereby reducing the University’s FBT liability to zero.
3.2 The payment relating to the private component of the travel must be made from after tax personal funds. The payment cannot be from any University funds, including consulting funds.

3.3 When private travel is combined with travel for University business, all additional costs associated with the private travel must be paid for personally by the University staff member. Any leave to be taken during the travel must be approved (in the Employee Self-Service System) prior to undertaking the travel.

3.4 The Director, Financial Services is responsible for ensuring compliance with FBT related requirements. Compliance checks will be undertaken to ensure that procedures relating to combining business and private travel are being properly implemented.

4. Procedures

4.1 Employees undertaking University travel must maintain a travel diary if travelling outside Australia or when combining business and private travel when travelling within Australia.

4.2 Where private travel is combined with travel for University business and the private travel is deemed to be more than incidental (see 3.1 above), a draft travel diary must be provided to the relevant administrative staff member prior to finalising the travel arrangements.

4.3 The administrative staff member will calculate the private component of the proposed travel using the template and examples provided on the University’s website. In instances where there is doubt as to whether an activity should be classified as business or private, the activity should be classified as being of a private nature. For unusual circumstances the administrative staff member should contact the Taxation Accountant for advice. Staff members should aim to plan their travel with at least 60% business days to allow for unforeseen circumstances or changes to the itinerary during the trip.

4.4 Where it is determined that the private component of a trip would be more than incidental, the administrative staff member will advise the traveller of the amount that will be required to reimburse the University so as to avoid an FBT liability. Travellers should be given an opportunity to alter their travel plans to reduce the private component.

4.5 The final travel diary, along with a copy of the itinerary or other relevant documents (e.g. conference agenda), must be forwarded to the relevant administrative staff member within 14 days of returning from the trip. The administrative staff member will check whether the travel undertaken was in accordance with the draft travel diary.

4.6 In cases where a reimbursement to the University is required, the administrative staff member will ensure that a University invoice is raised for the private travel component. The reimbursement should be coded to the same account as the travel cost (e.g. airfare). The reimbursement payment must be made within 30 days of the date of the invoice or by 21 April following the end of the relevant FBT year, whichever is earlier.
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Fringe Benefits Tax Policy and Procedures

1.1 The Director, Financial Services is responsible for ensuring overall compliance with Fringe Benefits Tax (FBT) requirements. The Director, Financial Services will ensure there is an annual FBT compliance program based on an assessment or risk pertaining to the University. The Director Human Resources is responsible for salary packaging arrangements and with charging correct rates of FBT to staff remuneration packages.

1.2 The University incurs FBT based on the taxable value of certain benefits provided to its employees (or their associates, such as a family member and employees of subsidiaries) other than salary, wages and superannuation. Fringe benefits may also be provided by a third party to an employee by arrangement with the University. Information on benefits which may incur FBT will be made available on the University website.

1.3 FBT payments must be reviewed and authorised by the Taxation Accountant (or nominee) prior to submission to the Australian Taxation office (ATO). To avoid incurring a late penalty, required documentation and payments will be submitted by the due date.

1.4 The FBT Return will be prepared based on the taxable value of the fringe benefits provided throughout the FBT year ending 31 March. A final balancing payment will be made to the ATO if the instalments made during the year are less than the amount owed.

1.5 Each year University employees must provide relevant information to the University by 21 April in order for the FBT liability ending 31 March to be correctly calculated. This includes odometer readings for salary packaged vehicles, declarations and information returns to determine entertainment and expense payment FBT liabilities. If the documentation is insufficient or not provided then a higher FBT liability may apply.

1.6 Employees undertaking University travel must maintain a travel diary if travelling outside Australia or when combining business and private travel when travelling within Australia. Staff must comply with the Combining Business and Private Travel Policy and Procedures to ensure that no FBT liability arises when a private travel component is added to travel on University business, where the duration of that travel exceeds limits prescribed by the ATO. If the employee undertakes private travel in conjunction with travel on University business, the employee will be responsible for the payment of any applicable FBT. This may arise where a business trip is extended to incorporate recreation leave or long service leave. Where this is the case, the completed travel diary must be sent to the Taxation Accountant within 14 days of completing the activity for calculation of any applicable FBT.

Staff should refer to the formal travel procedures for travel diary requirements.

1.7 Where an employee makes a contribution to the University towards the value of a fringe benefit, this contribution must be paid to the University normally within 30 days of a request by the University and by 21 April following the end of the relevant FBT year.
1.8 Where the University incurs FBT, the amount will be charged to the relevant University organisational unit unless the FBT is recoverable from the employee. Where the employee is liable for FBT incurred by the University, the employee must pay the amount owed to the University normally within 30 days of a request by the University, and no later than 30 June 21 April following the relevant FBT year.

1.9 The University's Management of Outstanding Debt provisions will apply in cases where employee payments in relation to FBT remain outstanding after the due date.

1.10 Where required by the relevant legislation, the total value of taxable fringe benefits provided to an employee will be included on their annual payment summary in the form and calculation prescribed by the Australian Taxation Office.
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Proposed Amendments to the Policy on Travel, Accommodation and Subsistence

12. Tax Requirements

12.1 Fringe Benefits Tax (FBT) is a tax imposed where certain non salary benefits are provided to staff. It ensures that tax is paid on these fringe benefits provided in place of, or in addition to, salary or wages of employees. FBT on travel can arise where private and business travel is combined, or where substantiation requirements, such as travel diaries, are not met. Staff must comply with all acquittal/record keeping requirements relating to travel as specified in the Travel Procedures. Staff should refer to the Combining Business and Private Travel Policy and Procedures to ensure that no FBT liability arises when a private travel component is added to travel on University business. While FBT is payable by the employer, the University will calculate the amount of FBT and require staff to pay it within the time specified in the Travel Procedures. If the staff member does not do this, the University will take appropriate action.

Staff should refer to the University's financial policies and procedures to ensure that they attend to any specific acquittal/record keeping requirements with regard to FBT.
FLINDERS UNIVERSITY

Proposed Amendments to the Travel Procedures

5. Record keeping, acquittals and reimbursements for travel

5.1 Travel diaries

5.1.1 Employees undertaking University travel must maintain a travel diary if travelling outside Australia or when combining business and private travel when travelling within Australia.

5.1.2 A travel diary must be maintained where travel undertaken is:

- outside of Australia irrespective of duration;
- within Australia of more than 5 consecutive nights and the purpose of the travel is not exclusively in the course of the employee's employment, to contain a private component.

5.1.3 Staff must comply with the Combining Business and Private Travel Policy and Procedures to ensure that no FBT liability arises when a private travel component is to be added to travel on University business.

5.1.32 All staff members required to maintain a travel diary (see 5.1.1 above) must forward the completed diary to their local accounts office within 14 days of completing the travel, along with the diary to be completed by staff members, within 14 days after completing the activity concerned, and forwarded to the local accounts office with a copy of the itinerary or other relevant documents (e.g., conference agenda). The diary will be checked at the local accounts office for correct account numbers, completeness and any private travel component, noting that private travel should be planned in advance of a trip, in accordance with the Combining Business and Private Travel Policy and Procedures. In the event of a private component the diary will then be forwarded to General Accounts for calculation of Fringe Benefits Tax (if applicable).

10. Tax information

10.1 GST is charged on all domestic travel within Australia unless linked to a connecting flight.

10.2 All overseas travel including connecting link within Australia should be coded "INA".

10.3 Fringe Benefits Tax (FBT)

10.4 FBT may be incurred where private travel has occurred in conjunction with University travel, or where substantiation requirements have not been met. Staff should refer to the Combining Business and Private Travel Policy and Procedures to ensure that no FBT liability arises when a private travel component is added to travel on University business.
10.2 Where substantiation requirements are not met the relevant administrative staff member will calculate the amount of FBT liability that the employee is required to pay and ensure that an invoice is raised for this amount for payment within the time specified in Fringe Benefit Tax Policy and Procedures. In such cases, the travel diary will be forwarded to general accounts for calculation of FBT (if applicable)—as set out in section 5.1.1.

Further information about FBT is available on the University’s web site.

10.4 Payroll tax is to be charged against the cost centre in the instance when the per diem rate has not been acquitted, as explained in section 4.5.2.

10.5 Contact the Tax Accountant, Financial Services Division—(extn 42304) regarding taxation queries on GST and FBT.