I write to advise you of a planned change to the Travel, Accommodation and Subsistence Policy and Procedures relating to the situation where staff travelling on University funded business seek to include a component of private travel as well.

I wrote to you last year about this and following extensive consultation through the Finance Directions Group, a draft document is attached for comment.

**Background**

Under Australian tax law, the University may be liable to pay Fringe Benefits Tax (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, 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.

The attachment provides further details including worked examples to provide greater clarity to managers approving travel.

It would be appreciated if you could consider the proposed document and provide feedback no later than 4 November 2011.
Once feedback has been reviewed, the document will be finalised and then embedded within the broader Travel, Accommodation and Subsistence Policy and Procedures.

If any clarification is required please contact the Associate Director Financial Services, Jason Farren on 15904.

Daniel Flaherty
Director Financial Services
Att.

inspiring
achievement
Travel, Accommodation and Subsistence Policy and Procedures Amendments

Fringe Benefits Tax - University Travel – Private Travel

1. Preamble

Fringe benefits tax (FBT) may be payable by the University on certain benefits, including private travel, provided to employees in respect of their employment.

University employees will sometimes seek permission to extend University business trips to allow for some private travel to be undertaken. Although the University may not incur any additional expenses in relation to the private travel (as any private costs are the responsibility of the travelling staff) a portion of the travel costs may still constitute a taxable benefit and incur FBT. These travel costs are usually airfares for staff to attend study courses, seminars or conferences on business trips.

Where business travel and private travel are combined, provided the predominant purpose of the trip is for business activities and the private component of a trip is considered to be incidental to the trip, the travel costs will not be subject to FBT, despite including a private component. To be considered incidental, the private component must not exceed the business activities.

Where the private travel component is in excess of the business travel component, it will be deemed to be more than incidental and subject to FBT.

This Policy must be read in conjunction with the Policy on Travel, Accommodation and Subsistence.

2. Definitions

2.1 Business Activities: are activities undertaken by an employee (e.g. 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 and reasonable days between business activities where it is impracticable to return to the University in between.

2.2 Dual Purpose: means where the travel is being undertaken for two purposes, being for University business and private reasons.

2.3 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.

2.4 Incidental travel: means where the predominant purpose of the travel 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.

2.5 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 term "Private Travel" and "Private Component" are used interchangeably in this policy.

2.6 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.

2.7 Minimal University work: generally means less than 4 hours of business activities in any given day.
Travel, Accommodation and Subsistence Policy and Procedures Amendments
(Cont)

Fringe Benefits Tax - University Travel – Private Travel

3. Policy

3.1 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 and any personal leave to be taken during the travel must be approved (in the Employee Self-Service System) prior to undertaking the travel.

3.2 When private travel is combined with travel for University business, an FBT liability will not arise where the primary purpose of the trip is University business and the private component of the trip is considered to be incidental to the business purpose.

3.3 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 subject to FBT. In these circumstances the trip will be deemed to have a dual purpose.

3.4 Where a dual purpose exists and 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 is liable for reimbursing the private component cost of the travel.

3.5 The payment relating to the private component of the travel must eliminate any FBT liability and must be made from after tax personal funds within 30 calendar days of concluding the travel. The payment cannot be from any University funds including consulting funds.

3.6 The staff member authorising the travel needs to ensure the Travel, Accommodation and Subsistence Policy has been adhered to and consider whether it is appropriate for the University to pay for any of the staff member’s travel costs where the private component is significant.

3.7 The Director, Financial Services is responsible for ensuring compliance with FBT related requirements. Compliance checks will be undertaken to ensure that procedures relating to Private Travel are being properly implemented.

Fringe Benefit Tax Policy and Procedures Amendments

1.6 Employees undertaking University travel must maintain a travel diary where the duration of that travel exceeds the limits prescribed by the ATO. Where an employee undertakes private travel in conjunction with travel on University business, the employees will be responsible for the payment of the portion of the travel costs required to reduce any FBT liability to zero. In these circumstances, the employee contribution must be ascertained prior to finalising travel arrangements, and the payment must be made within 30 calendar days of concluding the travel. An FBT liability may arise where a business trip is extended to incorporate recreation leave or long service leave.

Staff members combining private travel with travel on University business should refer to the Fringe Benefits Tax Policy on Private Travel.

1.7 Where an employee makes a contribution to the University towards the value of a fringe benefit, other than those covered by 1.6 above, 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.
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 (ie 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 (ie 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.