

## **Trust and Companies account not for personal use**

Many family businesses are owned by a family Company or a Trust. Unfortunately, in many cases the Principal's (Mum and Dad) ignore the company's structure and run the business as if it was owned by them personally.

They treat the money in the company bank account as if it was their own personal money. They withdraw money from the company bank account to pay for personal expenses. This give rise to a potential Division 7A tax as unfranked dividend or potential FBT implications.

## **Tax Warning**

*The bank account should not be used as a personal bank account. If money is required, please contact us before drawings the funds. We will then advice you of the tax options in relation to drawing down the funds.*

## **Non lodgement of FBT return -the traps: what about supporting documentation?**

A fringe benefit tax is a tax paid on certain benefits you provide to your employees and their associates. In a family company where no employees except Mum and Dad as the principals, an employer/employee relationship will exist even though there may be no salary taken.

There are nine categories of fringe benefits but the two that are most common:

Car benefits

Expense payment fringe benefits. The most common types( not exhaustive ) are home telephone, mortgage payment, rates & taxes , school fees, medical expenses, groceries, private visa payment

Trading companies and trust who do not lodge an FBT return because they do not have an FBT liability, (i.e., the employer fringe benefits taxable amount is reduced to NIL) should complete a notice of non-lodgement form and lodge it with the ATO. The form will advise the ATO of the reasons as to why an FBT return is not being lodged.

- Employee contributions have reduced the taxable value of benefits to nil
- The taxable value of benefits have been reduced to nil under the otherwise deductible rule
- Exempt benefits provided to employees under section 41 and section 58 of the FBT Act
- Each employee is within the \$500 reduction in value for in house benefits provided to them
- Exempt car benefits provided to employees and the company has consistently enforced its policy of no private use to evidence a genuine prohibition of private use
- That supporting documentation is available including various FBT declaration