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Newsletter – September 2016

FRINGE BENEFIT TAX AND WORK-RELATED VEHICLES

Providing a company vehicle to an employee has been subject to Fringe Benefit Tax for many years - the Inland Revenue Department recently issued a reminder of the rules that apply to vehicles available for private use, along with the new guide issued in April 2016. All vehicles available for private use are subject to FBT. However, FBT doesn't apply on days where a motor vehicle qualifies to be a work-related vehicle. To qualify as a work-related vehicle, all of the following conditions must be met:

- the principal design of the vehicle isn't for carrying passengers (a ute, truck, or van)
- the exterior of the vehicle permanently and prominently displays business signage
- employees are notified in writing that the vehicle is available only for travel between home and work and travel incidental to business, e.g., passing by the bank on your way home from work
- regular checks are carried out and recorded to make sure employees are following vehicle restrictions.

FBT is payable for any day the motor vehicle doesn't meet the four conditions above. The IRD's Fringe benefit tax guide (IR409) explains the conditions in more detail.

Note: Sedans and station wagons don't qualify as work-related vehicles, unless the necessary alterations are made to convert them - for example removal of the rear seats.

Some examples where FBT is payable on work-related vehicles (e.g., utes, double cab utes or vans) is a vehicle:

- which doesn't have permanent sign-writing
- made available to use privately over the weekend

For any advice, suggestions, or queries, feel free to contact us on (03) 307 6455.



EMPLOYEE OR CONTRACTOR?

There's often confusion among business owners around what it means to be an employer versus using contractors to run a business. Independent contractors are self-employed people who control what work they do and how it's done and are responsible for their own tax payments.

1. They decide or control how they do the work
2. They invest or risk their own money in the activity
3. They are responsible for getting the work done

This differs from an employee in numerous ways. There are some employment or contract situations where the lines are blurred between employee and contractor. Inland Revenue publishes guidelines in this area so talk to us or contact the IRD directly if you have any queries.

An important thing to note is that under the new Health and Safety legislation, it is irrelevant whether the person is an employee or a contractor, the same responsibility applies to the employer regardless.