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NON-PROFIT CHILD CARE PROVIDERS AND ACCESS TO CHARITY CONCESSIONS

Recent changes in the legislation now allow certain non-profit child care providers to be treated as charitable institutions. As a charitable institution these child care centers, after endorsement by the Australian Taxation Office, are entitled to:

- Fringe Benefit Tax ("FBT") rebate of 48% on the gross fringe benefits tax payable by the child care centre;
- Possible access to remote area fringe benefits even though their town or city would normally be treated as non-remote;
- Income tax exemption; and
- Certain GST concessions.

The main benefit from all this for child care providers and their employees are the benefits associated with the Fringe Benefit concessions. These properly used can greatly increase an employees "take home wage" by salary sacrificing and thus securing quality staff for the child care provider.

FBT REBATE

The FBT rebate is not an exception from tax but rather reduces your liability. This rebate is only available on the first \$30,000 of grossed up benefits provided to each employee. The rebate is 48% of the notional FBT tax payable.

For example –

Alpha Child Care centre provided to an employee \$15,000, which was salary sacrificed to pay for groceries, loan repayments etc. The grossed up taxable value of this benefit is \$28,038 ($\$15,000 \times 1.8692$). The FBT tax payable on this will be \$6,780 ($(\$28,038 \times 46.5\% - (\$13,038 \times 48\%))$). The total amount that is salary sacrificed by the employee is \$21,780 ($\$15,000 + \$6,780$). By salary sacrificing, this \$21,780 is taken off the employee's gross wage, leaving the balance to be taxed normally through the wage system.

SALARY SACRIFICING AN EMPLOYEES WAGE

Salary sacrificing is a term used when an employee chooses to take an amount of their wage in a format that is not taxed as salary. This effectively reduces their gross taxable wage (which appears on their payment summary) by the sacrificed amount. However, not all benefits that are sacrificed will produce the same result. Ideally you want to sacrifice expenses that are concessional taxed by FBT; which include:

- Motor vehicles;
- Interest payments on remote area housing loans;
- Payment of electricity and gas associated with a remote area house; and
- Rent paid on a remote area accommodation;

The salary sacrifice of other expenses such as groceries and the principal repayment on a home loan are only effective for those employees earning over \$75,000.

If you would like further information about how Forsyths can help your organisation, please contact us!

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