CORPORATE TAX ASSOCIATION
of Australia Incorporated

25 November, 2005

The Chairman
Regulation Task Force
Po box 282
BELLCONNEN ACT 2616

Dear Sir,

**REDUCING THE COST OF BUSINESS REGULATION**

The Corporate Tax Association (CTA), which represents the taxation interests of Australia's 120 largest companies, is pleased to make this submission to the Regulation Task Force on some compliance issues stemming from Australia's taxation system.

Our submission covers a number of separate areas. The CTA has, coincidently, been working with members since early this year to identify compliance and other problems associated with the Fringe Benefits Tax (FBT) regime. While our issues and recommendations dealing with FBT will still be forwarded to Treasury and the ATO as originally planned, the Regulation Task Force seems like an ideal forum to have these issues addressed in a more comprehensive way. A copy of our FBT report and recommendations is attached, while a number of additional areas for regulatory reform are also covered in this letter.

***Fringe Benefits Tax***

At a conceptual level, the CTA supports the integrity objective of the FBT regime, which taxes employee benefits taken in kind. Revenue raised directly through FBT has ranged between $3 billion and $4 billion over the last 10 years. While this figure is quite small in the overall budget context, there is little doubt that the FBT regime has had an impact on behaviour by shifting a lot of remuneration back into cash, particularly as personal tax thresholds have increased over time.

That said, CTA corporate members have identified a number of examples of unnecessary complexity in the FBT regime, leading to significant compliance costs for business. One aspect of the FBT regime, introduced in 1999, is the concept of reportable fringe benefits for individual employees. These amounts are derived from the FBT rules, and are reported on individual employees' PAYG Payment Summaries. These reportable fringe benefits in turn impact on some income tax rebates and other government benefits and

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liabilities (such as the Medicare Levy surcharge, HECS liabilities, child support obligations, and until recently, the Superannuation Surcharge).

Many of the compliance issues identified in our review stem not from ascertaining the FBT liability of the employer, but in allocating fringe benefits taxable amounts to individual employees as reportable fringe benefits. In the majority of cases the inclusion of reportable fringe benefits has little or no financial impact on employees because they are either below or above the relevant thresholds, or they are simply not affected by the relevant provisions (e.g., they have no HECS debt, they are not liable for child support, they have private health insurance etc).

The Task Force needs to appreciate that the current reporting system imposes a significant compliance burden on all employers for the sake of achieving equity (from the perspective of government benefits and obligations) for a minority of employees – and this minority has surely been further reduced through the recent abolition of the Superannuation Surcharge.

In striking a balance between the conceptual goal of allocating every benefit to every employee and containing compliance costs for both large and small businesses, the Task Force and the government are urged to sympathetically consider the recommendations in our report for modifying the need to report benefits that are difficult to allocate. While it is true that the law already provides some exemptions, the reporting rules have now been in place for some six years, and the current review represents an opportune time to reconsider whether the reporting system as originally designed got it about right.

There are also some recommendations concerning reporting requirements where the argument for reporting relief is based more on equity grounds than on compliance cost savings – e.g. where an employee engaged in a senior marketing role is expected to participate in frequent and sometimes significant entertainment activities. We consider there is room for discretion to not include items as reportable benefits where it is clear the activities are a legitimate and essential part of a person's role as an employee, and could not reasonably be regarded as being in lieu of remuneration.

Our report and recommendations on FBT also includes the suggestion to increase a number of thresholds, as well as broadening the scope of some of the existing exemptions to more appropriately reflect modern work practices. While the suggested changes will have as an incidental effect a slight reduction in FBT liabilities in some cases, their principal aim is to achieve compliance savings. This submission is about reducing the compliance burden on business – not the business tax burden.

In a handful of other cases, our recommendations pick up on equity issues (e.g. child care and some remote housing benefits). These may not be seen as falling within the regulatory purview of the Taskforce, and we will raise them directly with the government.

***Harmonisation of employment taxes***

Through its responsibility for personal income tax, the Federal government manages a regime for PAYG withholding, which relies on the concept of what constitutes an employer/employee relationship. This concept is also fundamental to the FBT system.

The States and Territories, on their part, all maintain their own Payroll Tax Systems, which also depend on the concept of the employer/employee relationship, and in some cases they have developed rules about when long term contractors should be treated as employees.

While the States should be free to compete on the basis of rates, it has for many years been very frustrating for business to have to negotiate six or more separate payroll tax regimes, each with their own slightly different definition of what constitutes an employee. It would be enormously helpful for Australian businesses that operate across State jurisdictions for the Federal and State governments to take steps to harmonise the various definitions, so that at least the tax base will be uniform. Such a move would significantly reduce compliance costs for business.

***GST***

**(a)** *The GST registration of non-residents*

- The ATO has recently (within the last 1-2 years) introduced additional identification requirements for non-residents seeking GST registration.

- Prior to the introduction of these identification requirements, in order to register for GST a non-resident company simply had to complete the registration application form, and provide a Certificate of Incorporation in the home country.

- The new requirements for registration are time consuming and at times impossible to comply with, particularly in relation to directors and public officers (see information requirements below).

- Instead of encouraging non-residents to participate in the Australian taxation system, theses requirements seem to actively discourage non-resident GST-registration.

- A *pro forma* declaration from the recipient, completed at the time of the sale, should be sufficient.

- New information requirements include (emphasis added):

    - If you are an *individual* who is applying for GST registration of an enterprise, *you must provide a photocopy of your current passport. You*

*must take your current passport along with a photocopy of it to the Australian Embassy or High Commission in your home country* for it to be certified and stamped by an officer of the Australian Embassy or High Commission.

- If you are a *company*, trust, partnership or other organisation applying for GST registration, *each associate who is an individual must provide a photocopy of his or her current passport*. *Each associate (e.g. directors, public officers) must take his or her current passport along with a photocopy of it to the Australian Embassy or High Commission in his or her home country* for it to be certified and stamped by an officer of the Australian Embassy or High Commission.

- *You must provide a Certificate of Status of Enterprise or, if you cannot obtain a Certificate of Status of Enterprise, other evidence to verify the enterprise that you carry on.*

- If you are providing copies of these documents, *you must take each original document along with a photocopy of it to the Australian Embassy or High Commission in your home country for it to be certified and stamped by an officer of the Australian Embassy or High Commission.*

**(b) Inter-company transactions**

- Inter-company taxable supplies/creditable acquisitions between non-GST grouped entities require the issue of a valid tax invoice to enable the recipient entity to claim an input tax credit (ITC).

- Inter-company transactions are generally recorded via Journal Entries and issue of a tax invoice is a manual and time consuming process. Accountants tend to "ignore/forget" this requirement because the inter-company charges are eliminated on accounting and tax Consolidation, resulting in a nil impact for the group.

- However, for GST purposes a recipient entity is wholly dependant on the obtaining of a tax invoice for its input tax credit entitlement or is otherwise exposed to interest and non-deductible penalties.

- The need to issue and hold tax invoices should not be applicable in inter-company transactions where parties are entitled to a full input tax credit. Alternatively, the need to issue a tax invoice should not be applicable where inter-company transactions occur between companies entitled to a full ITC and which would otherwise have been eligible to group for GST purposes for the period the transactions occurred.

**(c) Recipient Created Tax Invoice Agreements**

- The requirement that the recipient and the supplier must have a written agreement specifying the supplies to which it relates that is current and effective when the RCTI is issued is very onerous, and the absence of or the inability to locate/retrieve a signed copy of the agreement exposes businesses to over-claimed ITCs, the General Interest Charge and non-deductible penalties despite the fact that that the taxpayer:

    i. would otherwise be legitimately entitled to a full input tax credit;
    ii. acted at all times in accordance with the existence of an "agreement", written or otherwise;
    iii. accounted to the ATO for GST as required;
    iv. spent considerable time and money in setting up systems to cater for RCTIs.

**(d) Barter transactions**

- The requirement to issue tax invoices in relation to barter transactions represents a significant administrative burden for business.

- The need to issue tax invoices (in many cases manually created tax invoices) should not be applicable in business to business transactions where parties are entitled to a full input tax credit (i.e. the transaction is revenue neutral), which in the case of barter transactions is almost always the case.

- It is noted that both parties to the barter transaction are exposed to interest and non-deductible penalties if they don't possess valid tax invoices.

Thank you for this opportunity to make some suggestions on the tax aspects of business regulation, and we also appreciate your office agreeing to a short extension of time for completing our submission. Should you require any further clarification on any of the points raised, please do not hesitate to contact either the undersigned or Ms Michelle de Niese, Assistant Director at the CTA.

Yours faithfully,

(Frank Drenth)
**Executive Director**

# CTA submission
# Fringe Benefits Tax: summary of issues and recommended solutions

The following is a brief summary of the FBT issues and proposed solutions set out in the attached submission. 'Reporting' and 'liability' solutions have been provided to indicate where issues could be resolved through administrative change, and/or legislative change. Importantly, 'reporting' solutions would in most instances have little or no revenue impact.

| Issue | Solution |
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| **Reportable Fringe Benefits**<br><br>The current provisions governing reportable fringe benefits are too wide and the related thresholds are too low, resulting in inequitable tax outcomes for some employees and enormous compliance burdens for employers | **Reporting**<br><br>Provide an exemption from the reporting rules for specific benefits that are difficult to track (see 'recreational expenses' and 'pooled and shared cars' below).<br><br>**Liability**<br><br>Increase the reporting threshold and minor benefit threshold to $2,000 and $300 respectively. |
| **Exemption of minor benefits**<br><br>The notional taxable value threshold of $100 is too low.<br><br>The compliance cost of determining whether a benefit is 'infrequent' and 'irregular' negates any positive impact of the exemption.<br><br>The requirement to track 'associated' benefits is virtually impossible to comply with. | **Reporting**<br><br>• Remove the requirement of 'infrequent and irregular' and replace with a blanket exemption of $300.<br><br>• Remove the requirement to track 'associated' benefits.<br><br>**Liability**<br><br>• Increase the minor benefit threshold from $100 to $300 and index future increases. |
| **Pooled and shared cars**<br><br>The compliance costs associated with tracking and allocating the cost of a pooled or shared car is significant and results in very little revenue benefit. | **Reporting**<br><br>• Provide an exemption from the FBT reporting rules for pooled or shared cars that are used by more than one employee where the private use of |

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| The provisions governing pooled or shared cars provide no relief from this compliance burden and in some cases, result in inequitable outcomes for employees. | the vehicle is limited or at the very least, provide compliance relief in the form of administrative shortcuts for valuing and attributing pooled or shared cars between employees.<br><br>• Provide an exclusion from the operation of subsection 5F(5) of the FBTAA where its application would give rise to inequities between employees.<br><br>**Liability**<br><br>N/A |
| **Recreation expenditure**<br><br>The inclusion of recreational expenditure in the FBT reporting requirements creates an administrative nightmare for employers who are required to track and attribute the costs of recreation to each affected employee. | **Reporting**<br><br>Provide an exemption from the FBT reporting rules for recreational expenditure as is currently the case for meal entertainment expenditure and entertainment facility leasing expenses. At the very least, provide compliance relief in the form of administrative shortcuts for attributing recreation expenditure between employees.<br><br>**Liability**<br><br>N/A. |
| **'Host' exemption**<br><br>The FBTAA does not provide an exemption from the FBT reporting requirements for employees (and their spouses) that are required to attend or 'host' functions/incentive trips as part of their employment. | **Reporting**<br><br>Provide an exemption from the FBT reporting rules for entertainment expenditure for employees who 'host' work functions or trips as part of their employment.<br><br>Provide practical administrative guidance on the scope of the exemption.<br><br>**Liability**<br><br>N/A |

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| **Work related items**<br><br>Section 58X of the FBTAA is inconsistent in its approach to certain work related items, most notably mobile phones (which are eligible work related items only if they are 'primarily' for work use) and notebook computers and laptops (for which there is no 'primary use' requirement (subsections 58X(3) and (4) of the FBTAA)).<br><br>The requirement that the function of a work related item be its 'primary function' (subsection 58X(2)) is very difficult to meet in light of convergent technologies and the demands of the modern workplace. | **Reporting**<br><br>N/A<br><br>**Liability**<br><br>• Abolish the 'primary use' test in subsection 58X(3) for mobile phones so as their treatment equates with that of other work related items, such as notebook computers and laptops.<br><br>• Replace the 'primary function' test in subsection 58X(2) with a requirement that the item have a primary function of any combination of the items listed.<br><br>• Provide a separate exemption for access or utilisation tools, such as residential broadband access. |
| **Grouping and lodgment timing**<br><br>The FBTAA does not provide corporate groups with the option of electing to lodge one group FBT return, nor does it allow for wholly owned or 'grouped' entities to transfer refunds.<br><br>The lodgment date of 21 May for annual FBT returns places significant resource burdens on corporates, who are often unable to collect all of the relevant data to finalise the FBT return by that date. This is particularly the case for those corporates with SAP's. | **Reporting**<br><br>• Provide entities with an option to prepare and lodge a single group FBT return which would allow grouped entities to transfer refunds.<br><br>• Allow large corporates to have the same automatic extension provided to tax agents to lodge annual FBT returns.<br><br>• Allow large corporates to elect to align their FBT year with their SAP.<br><br>**Liability**<br><br>N/A |
| **Child care facilities** | **Reporting** |

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| The current exemption for child care facilities is limited to residual benefits provided to employees and is only available to those employees whose work places have child care facilities located on the 'business premises'. | N/A<br><br>**Liability**<br><br>Extend the current exemption to cover both residual and expense payment benefits provided to employees that relate to the care of their children in a child care facility, provided the facility in question satisfies the requirements of the *Child Care Act 1972* or, in the case of a centre-based long day care service/outside school service/in-home care service, the *A New Tax System (Family Assistance) (Administration) Act 1999*. |
| **Remote area residential fuel concession**<br><br>The conditions set out in subsections 59(1) to (3) of the FBTAA which relate to the concession for residential fuel for employees in remote areas have the effect of disallowing the concession where the relevant employee owns his or her accommodation in respect of which the residential fuel is provided. | **Reporting**<br><br>N/A<br><br>**Liability**<br><br>Amend section 59 of the FBTAA to ensure the concession for residential fuel is available to all employees whose usual place of residence is located in a remote area. |
| **Remote Housing Benefit**<br><br>There is disparity between the tax treatment of remote area housing provided to an employee by an employer (a remote housing benefit, which is exempt from FBT) and an employee leasing remote housing in his or her name and the employer reimbursing part or all of the rent (an expense payment benefit upon which tax (at a concessional rate) is payable). | **Reporting**<br><br>N/A<br><br>**Liability**<br><br>Extend the remote housing benefit exemption to employers who reimburse rent paid by employees on remote area properties held in their own names. |
| **Relocation costs – divorce**<br><br>There is currently no exemption for FBT costs incurred by an employer which are referable to relocating an employee's | **Reporting**<br><br>Such expenses should be excluded from the reporting requirements to avoid any indirect impact on the employee's ongoing |

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| spouse due to the breakdown of the relationship. This means the employer is subject to FBT on those costs and the costs appear on their PAYG Payment Summary of the employer, thereby possibly impacting the employee's ongoing maintenance and related liabilities. | maintenance and related liabilities.<br><br>**Liability**<br>Amend the relevant provisions in the FBTAA to exclude expense paid benefits that arise as a result of relocating an employee's spouse or partner as a result of a relationship breakdown. |
| **Restriction to access of the statutory formula for salary packaged cars**<br><br>Only cars that satisfy the definition of 'car in sec 136 of the FBTAA are eligible to use the statutory formula for determining liability to FBT. The definition of 'car' in sec 136 is outdated and does not cover vehicles which are now considered to be appropriate for salary packaging purposes. | **Reporting**<br><br>See 'liability' below – allowing employers to elect to use the FBT statutory formula for a salary packaged vehicle which is not classified as a 'car' in MT 2024 will result in reduced reporting requirements for both employees and employers.<br><br>**Liability**<br><br>Enable employers to elect to use the FBT statutory formula for a salary packaged vehicle which is not classified as a 'car' as detailed in MT 2024. |

# CTA submission
# Fringe Benefits Tax: recommendations for legislative and administrative changes

## 1. Reportable Fringe Benefits

### *Details of problems identified*

The underlying policy intent of the FBT reporting requirements (as set out in Part XIB of the FBTAA) is to ensure that an employee's liability for various surcharges and other obligations (eg: Medicare levy surcharge, HECS repayments) or eligibility to certain rebates and other concessions, is determined on the basis of fringe benefits received in addition to salary and wages.

Although we support the policy of ensuring that employees are not able to rort the system by receiving part of their salary and wages tax free, the current reporting requirements go well beyond ensuring employees and employers pay their far share of tax. In fact, it could be said that the costs associated with valuing, allocating and tracking fringe benefits to employees far outweigh any related revenue collections through increased surcharges and the like. This is particularly the case following the abolition of the superannuation surcharge, which would have accounted for most of the additional revenue collected as a result of the introduction of the reporting rules.

There is also a concern that the reporting rules encompass some benefits which are not in any way related to the employee's remuneration. This in turn can have implications for the employee from the perspective of eligibility for certain rebates or concessions, or worse still, liability for surcharges and the like. An example might be an employee who is required to attend client functions as part of their job.

Related to this issue is the human resource cost of having to deal with (in some cases, thousands) of disgruntled staff who have payments appearing on their PAYG Payment Summaries from which they have derived no personal benefit. In the case of large corporates, the cost of mitigating the impact of amounts appearing on PAYG Payment Summaries, usually done by way of ramping up communication with employees prior to reporting on PAYG Payment Summaries, is significant. These issues, when looked at in the context of a business with thousands of employees, can result in FBT reporting errors, exposure to penalties, internal disputes between employees and employers and in some cases, industrial disputes over the allocation of benefits.

The compliance costs associated with FBT have been recognised to some degree by the reportable benefits threshold. Designed to ease the compliance burden of FBT reporting, section 135P of the FBTAA provides that an employee only has a reportable fringe benefits amount where that amount is more than $1,000. A similar concession is provided for in-house benefits up to $500 under sec 62 of the FBTAA.

The usefulness of these concessions has been severally limited by the fact that they have not been indexed since their inception. This, coupled with an increase in the number of benefits that employers have to track and record and the introduction of GST, has resulted in the current thresholds providing little, if any relief, from the FBT compliance burden.

***Suggested treatment or change***

Given the varied problems associated with the current FBT reporting requirements, a number of solutions are required.

Raising the reporting threshold from $1,000 to $2,000 would assist in alleviating some of the reporting costs currently being endured by business. These comments apply equally to the threshold for in-house benefits, which at $500 should be increased to $1,000. A rise in these thresholds of $1,000 and $500 respectively would, in view of the issues raised above, be reasonable and appropriate. In both cases, an increase reflecting CPI should at the very least be made. The minor benefits reporting threshold, which is also aimed at reducing FBT compliance costs, is discussed in detail in section 2 below.

As outlined above, the requirement to value, track and allocate thousands of benefits under the FBT reporting rules, (often manually as most corporates' systems do not cope with these requirements) places large corporates at risk of getting the numbers wrong which in turn exposes them to penalties. Remedying errors in Reportable Fringe Benefits Amounts (**RFBA**) is also costly and extremely time consuming.

The Commissioner has recognised the significant compliance costs associated with rectifying errors on PAYG Payment Summaries by accepting that an employer has satisfied the reporting requirement if, as a result of an inadvertent error, a PAYG Payment Summary understates an employee's reportable fringe benefits amount by $195 or less (PS LA 2002/7).

While the provision of such a concession is welcomed, the current threshold of $195 is too low which in effect limits its usefulness. In our view, the threshold should be raised at least to reflect CPI movements since its inception in February 2002.

Another solution to the compliance problems associated with FBT reporting would be to exempt from the reporting rules benefits that are difficult to track,

such as pooled/shared vehicles and recreational expenditure, or at the very least, develop workable administrative shortcuts for valuing and attributing such benefits. These benefits are discussed in detail in sections 3 and 4 below.

The cost to revenue of increasing the reportable benefits and in-house benefits thresholds is likely to be minimal, as the amounts in question are small. The only costs affected will be those currently associated with tracking, valuing and calculating those amounts.

Also, the recent abolition of the superannuation surcharge significantly reduces any impact of any changes to the reporting requirements from a revenue perspective.

## 2. Exemption of minor benefits

***Details of problems identified***

There are three main issues in relation to the minor benefit exemption contained in Section 58P of the FBTAA. These are:

(a) The notional taxable value threshold of $100 (provided in subsection (1)(e)) is too low and has not been regularly revised upwards in the light of inflation and any other market conditions;

(b) The terms "infrequent" and "irregular" (provided in subsection (1)(f)) are too vague and require clarification by the ATO; and

(c) The practical difficulty in tracking the connection between "associated" benefits.

*$100 threshold*

The notional taxable value threshold in section 58P, which is currently $100, has not been reviewed since 18 December 1996, at which time it was changed from "small" (which the ATO interpreted to mean $50 or less, per Taxation Determination TD 93/17) to the current threshold amount of $100.

Section 58P was intended to provide a concession to business to ease the administrative burden of recording and reporting small fringe benefits. However, the concession has become progressively less concessional to taxpayers, as inflation has pushed up the cost of providing benefits. The introduction of GST on 1 July 2000 has also contributed to rising costs of fringe benefits, with the taxable value of most increasing by 10%.

The combined effect of inflation and the introduction of the GST regime has been that many benefits that once came under the threshold are now above it

and are therefore, in most instances, reportable. This in turn results in increased compliance costs for business, who now have to report on benefits that should come within the threshold.

*Meaning of "infrequent" and "irregular"*

A lack of clear guidance on the undefined terms of 'infrequent' and 'irregular' in subsection 58(1)(f) has resulted in widespread uncertainty about how to apply the minor benefits exemption, particularly on the issue of frequency. Corporates are often in the position of having to track the frequency of every minor expenditure item in order to determine whether the expenditure in question is in fact 'infrequent' enough to come within the exemption. The costs associated with tracking and determining the 'frequency' of such benefits pretty much negate any advantage of applying the exemption.

Adding to this compliance burden is the necessity of having to make a retrospective decision on the application of the exemption when it is found that it does apply. Taxpayers ought to be in a position to decide, based on clear guidance provided by the ATO, whether the exemption applies on a benefit-by-benefit basis at the time the benefit is provided, rather than retrospectively. For example, if at the time a benefit is provided it is reasonable to assume it is an infrequent benefit, then the exemption should apply to the benefit, regardless of whether the benefit subsequently becomes frequent.

*Connecting "associated" benefits*

There is also considerable practical difficulty for business in tracking the connection between 'associated' benefits, as required under paragraph 59P(1)(f)(ii).

For example, an employee may be provided with taxi travel to a concert costing $55, and then the concert tickets costing $95. The taxi travel is provided by way of an expense reimbursement fringe benefit (i.e. the employee pays on their company card and is reimbursed by the employer) and the tickets are a property fringe benefit (purchased directly by the employer and provided to the employee). Prima facie, each of these benefits on their own may meet the requirements of the minor exemption in sec 58P. However, when considered in "association" with each other, the combined value is in excess of $100 (i.e. $150). Tracking such benefits, particularly when the associated benefits fall into different benefit categories and therefore appear on different General Ledger accounts (as would be the case in this example), is extremely time consuming and in some cases, virtually impossible. Businesses should not have to expend valuable time and resources on attempting to comply with requirements such as these,

particularly given the virtually non-existent revenue related to minor 'associated' benefits.

***Suggested treatment or change***

*$100 threshold*

For the reasons outlined in this section and section 3 of this submission, the threshold should be increased to $300 with future increases being indexed.

As other thresholds that work in the ATO's favour are indexed every year (eg. housing indexation figures, car parking threshold, LAFH food allowance) so too should those that work in the taxpayers' favour. Legislative indexation of the threshold (or uplift of the threshold once the calculated indexed amount has reached or exceeded this amount) would ensure that the exemption achieves its purpose of easing the administrative burden of capturing small benefits. It would also alleviate the need for ongoing review and amendment of such benefits.

Obviously this solution does not address the age old problem associated with threshold tests, that being the need to incur compliance costs (in determining whether the threshold has been exceeded) in order to save compliance costs. However, it will at least make it easier for large corporates to identify which employees are likely to fall outside the threshold. Abolishing the 'infrequent' and 'irregular' requirement (or at the very least, providing some guidance around what is meant by the terms) and the removal of the requirement to track 'associated' benefits will also assist in reducing the current compliance costs associated with this concession (see below).

*Meaning of "infrequent" and "irregular"*

Requiring corporates to determine, without any guidance from the ATO, what "infrequent' and "irregular" means (and often in the context of thousands of employees) is extremely difficult, and the compliance costs associated with the process virtually negates any (limited) benefit currently being derived from the exemption.

In our view, the current test should be abolished and a blanket FBT payable and reportable exemption should be applied for any single FBT benefit incurred not exceeding a $300 threshold.

This would also go some way towards reducing the large compliance burden currently borne by businesses in tracking these amounts. This measure should not be regarded as a risk to the revenue or the opening up of a planning opportunity as commercial reality dictates that no corporate would seriously entertain planning around minor benefits.

At the very least, the ATO needs to provide guidance, perhaps in the form of a Public Ruling, on the meaning of "infrequent" and "irregular" and in doing so, provide some form of administrative short cut or rule of thumb for taxpayers to apply when determining their application. The current ATO position of relying on a 'case by case' approach is untenable, particularly in light of the government's current emphasis on regulatory burdens and excessive compliance requirements.

*Connecting "associated" benefits*

The inherent difficulties in tracking associated benefits begs the question of how many benefits are actually excluded from the minor benefits exemption solely as a result of being "associated". We would suggest very few. On this basis, we propose that the requirement to track "associated" benefits be removed and that such benefits be considered separately.

## 3. Pooled or shared cars

***Details of problems identified***

The impact of the FBT reporting requirements is most evident in the treatment of pooled or shared cars. Commonly referred to as 'tool of trade' vehicles, pooled and shared cars are used to carry out business needs and are provided to employees for the purposes of carrying out their employment duties.

The current provisions governing the FBT treatment of pooled and shared cars require employers to track and allocate the 'private' use of those cars by employees. 'Private use' is defined in sec 136 of the FBTAA to mean any use that is not exclusively in the course of producing assessable income of the employee. The requirement to track and allocate the private use of tool of trade cars is not limited to those cars that are in fact used by employees for private purposes – it applies to all such cars, regardless of the level of private use by the employee.

It is not uncommon for medium / large companies to have a fleet of up to several hundred 'tool of trade' vehicles. Tracking the minor 'private' use of these cars and the shared driver capacity (to ensure the requirements in subsection 7(3) of the FBTAA are satisfied) is extremely onerous and costly, and requires the employer to know when the cars are used solely for business purposes or were available for private use by the employee (as distinct from actually being used in that way). This is not an easy or productive task when considering the number of employees that may use one or more of several hundred pooled or shared cars per year.

To illustrate by way of example, one employee may take a pool car home at night which he is not allowed to use for any private purpose, but picks-up and drops-off colleagues on the way to and from work. As home/work travel is normally regarded as 'private use', the employee who drives the car home will receive a RFBA allocation. Should only the driver get a RFBA allocation in this case? It's unlikely that the driver in this scenario thinks it's fair that he or she bear the cost of driving colleagues to work, particularly as they were unable to use the car for private purposes. Allocations in such circumstances can cause disputes between employees and between employer and employee, where parties disagree as to the allocation amount. The fact that many of the employees driving pooled or shared vehicles are low- to middle-income earners who may be in receipt of family allowance payments, liable to payments of child support or repayments of HECS further heightens the potential for employee disputes in this area.

Tool of trade vehicles are provided to employees for the sole purpose of enabling them to carry-out employment duties. In reality, private use of such cars is extremely restricted and if anything is only ever incidental to the performance of the employee's duties. Whilst we accept and support FBT being payable on motor vehicles that are used or available for private purposes, pooled or shared cars that are used by employees as part of their day to day work activity should be excluded from the FBT reporting requirements.

***Suggested treatment or change***

There are currently no legislative provisions that specify any particular method of working out shared benefits for employees. The only guidance in the FBTAA is sec 5F, which unhelpfully instructs employers to take into account 'any relevant matter' when determining an employees share of a tool of trade vehicle. Such broad provisions, although allowing employers to take into account a range of factors which impact on the use of a tool of trade car, only add to the cost of compliance.

Whilst the ATO have attempted to fill this gap by issuing Fact Sheets on working out shared benefits for employees, the suggested allocation methods are inherently difficult to apply and can result in unfair outcomes for employees. For example, the use of the statutory formula method in the context of the requirement in subsection 5F(5) for shares of different employees to total 100% creates inequitable results where the driving patterns of employees differ.

Given the complexities in the current FBT treatment of pooled and shared cars, and considering that the amount of FBT allocated to employees in these circumstances is usually minimal (and in any event is not part of their remuneration package or award), we propose that such cars be treated as an

excluded fringe benefit. In other words, FBT is payable on pooled and shared cars but they are excluded from the FBT reporting requirements.

Consideration should also be given to creating an exemption to the requirement in subsection 5F(5) where the application of the provision would give rise to an unreasonable result (eg: where the taxable value is calculated using the statutory formula method).

At the very least, and as an interim measure only, acceptable administrative short cuts should be provided for valuing and attributing private use of pooled or shared cars between employees.

## 4. Recreation expenditure

### *Detail of problems identified*

Recreation expenses are currently subject to FBT reporting requirements. The very broad definition of 'recreation' (which includes engaging an entertainer for functions, tickets to the theatre and sporting events and games of golf or tennis) means that virtually all expenditure on entertainment (except for meal entertainment and entertaining leasing facility expenses) has to be traced through to employees.

This creates an administrative nightmare for employers, who in order to satisfy the reporting requirements, have to determine the cost of the recreation expenditure, confirm the identity of each employee attending the function and allocate the total taxable value of the expenditure to each of those employees.

The ATO has recognised the difficulties associated with allocating recreational expenditure to employees by increasing the minor benefit exemption threshold to $125 (see NTLG – FBT minutes of meeting dated 22 February 2001). However the administrative realities of having to track such expenditure still remains. Also, in many cases, the cost of putting on a function for employees will exceed $125 per head.

### *Suggested treatment or change*

Whilst the ATO have attempted to address the compliance burden of tracking recreational expenditure through increasing the minor benefits exemption threshold to $125, the real problem of having to track and allocate such expenditure remains.

Having regard to the compliance burden of tracking and allocating recreational expenditure, and the fact that most businesses would not have the capacity to track and allocate such expenditure accurately anyway, we propose that all such expenditure be excluded from the FBT reporting

requirements, as is currently the case for meal entertainment expenditure and entertainment facility leasing expenses.

Any changes to the reportability of recreational expenses would have little revenue impact as the expenses would continue to be subject to FBT in the employer's hands.

## 5. Entertainment – 'host' exemption

***Details of problem identified***

Many employees are required to regularly attend or 'host' client functions or incentive trips as part of their employment. These tend to be employees engaged in marketing or client relationship roles. In some cases, the functions are quite elaborate and may include partners or spouses, so that the amounts involved are not insignificant.

In the absence of any specific exemption from the FBT reporting requirements for such employees, expenditure incurred in relation to compulsory attendance at such work related events will appear on their PAYG Payment Summary. This in turn can impact on the employee's eligibility for certain rebates and concessions or liability for surcharges and the like.

While employers are not arguing the relevant benefits should not give rise to an FBT liability, the requirement that the benefits be reported on PAYG Payment Summaries of employees who are obliged to attend or 'host' functions or events is in most cases inequitable.

***Suggested treatment or change***

We agree that entertainment expenditure generally should be subject to FBT. However, employees who are regularly required to attend or 'host' client events or incentive trips as part of their employment should be exempt from the FBT reporting requirements on the basis that attendance at such functions or events is not a 'benefit' and is in no way related to their remuneration.

Spouses or partners of these employees should also be carved out of the FBT reporting net where attendance is reasonably appropriate, having regard to the nature of the event and whether spouses or partners of clients are expected to attend.

The adoption of a specific carve out from FBT reporting for entertainment expenditure should be supported by practical administrative guidance as to its scope and examples of the types of arrangements it will apply to.

Providing an FBT reporting carve out for employees in the circumstances outlined above should not result in any loss of FBT revenue as FBT would still be payable on the expenditure (subject to any existing exemptions under the FBTAA, such as meal entertainment). The recent removal of the superannuation surcharge will ensure that any revenue impact from the employee's end would be negligible.

## 6. Work related items

***Details of problems identified***

The workplace environment has undergone significant change over the past 20 years. More than ever, employees are required to be contactable outside normal working hours and as such there is demand for constant accessibility to employers' networks via internet and Wireless Fidelity (WiFi). Flexible employment arrangements, such as working from home, are also on the rise, which has added to the demand for access to workplace networks from the home and outside normal business hours. The convergence of technologies has enabled manufacturers to respond to the demands of the more flexible and mobile workplace by designing 'work items' which perform a number of different functions, such as Personal Digital Assistants (**PDA**).

As the workplace environment evolves, so too do the costs associated with its tools. For example, for the many employees who are required to access their employer's network from home, not only is there the cost of the work item itself, such as the mobile phone, laptop or PDA, but there is also the cost of accessing and utilising those items, such as broadband access.

Section 58X of the FBTAA is the provision governing 'work related items' and provides an exemption from FBT for 'eligible' work related items. Although section 58X has been amended to take into account such items as mobile phones and laptops, it does not accurately reflect the demands of the modern workplace or the impact of convergent technologies. Adding to these shortcomings are the inconsistencies in subsections (3) and (4) in determining whether some work related items are exempt or not. The following discussion provides some more detail on the more obvious shortcomings of sec 58X.

*Inconsistency in application of 'primary use' test: subsection 58X(3) and (4)*

Subsection 58X (3) limits the applicability of the FBT exemption for mobile phones and car phones to the extent that they are 'primarily used' in the employee's employment. However, there is no equivalent 'primary use' restriction in the FBTAA or elsewhere on the use of notebook computers, laptop computers or similar portable computers – these items are eligible for an exemption provided no expense paid benefit or property benefit has arisen

for the employee in relation to another notebook computer, laptop computer or similar portable computer.

The reason for this divergence in approach may be the difficulty in determining what the 'primary use' of a laptop or notebook computer is. However, the increasing use of capped plans makes this argument equally applicable to mobile phones. Other than this, there seems to be no basis for the dichotomy in the employment related 'primary use' restriction for mobile phones versus no restrictions for notebook computers, laptop computers and the like.

*The impact of convergent technologies on the primary function test*

Subsection 58X(2) provides a list of 'eligible work related items' which are exempt from FBT. The ATO's approach in determining whether an item is exempt from FBT under subsection 58X(2) is to consider the items' 'primary function'. Where the primary function is not readily identifiable, the ATO suggests looking at the way an item is marketed to the public.

Applying this 'primary function test' in an environment of convergent technologies is fraught with difficulties, as today's work items can have a number of different, but equal functions, with no function constituting the "primary" or greatest contributor. For example, consider the PDA, which will often include calendars, calculators, address books, task lists, an inbox, Microsoft Word and Microsoft Excel. The latest group of PDAs are now offering all of the above options plus other functionalities such as mobile phones, media players, digital cameras, MP3 players, games, USB connections to link to desktop/laptops, GPS, street maps and WiFi integration.

On the face of the current wording of section 58X, a device that is classified as 30% PDA, 30% mobile phone, 20% laptop and 20% other, would fail to qualify for exemption under any paragraph in subsection 58X(2), notwithstanding that each of the individual purposes may, if acquired as separate pieces of hardware, qualify for one of the above exemptions or qualify as exempt under the 'otherwise deductible' rule in sec 24 of the FBTAA. When considering the rapid rate at which such items are changing and converging, it is likely that in several years time, there may be little difference between mobile phones and PDA devices.

In the meantime, business is having to allocate scarce resources to determining the primary function of work related items through engaging internal and external consultants, seeking Private Binding Rulings and dealing with employees' queries and complaints.

Employers are also left in the difficult position where the acquisition of the most appropriate and up to date technology results in inequitable FBT outcomes, simply because the FBT laws have not kept pace with technological advances.

*Cost of access and utilisation tools*

As mentioned previously, workforces are rapidly becoming more mobile with many employers requiring their employees to be contactable outside standard working hours. As such there is a need for employees to be able to access their employer's network. Employees who are required to access workplace networks off site or from home will need to acquire not only the work item itself, but also access or utilisation tools, such as broadband access. Section 58X does not exempt from FBT the access or utilisation tools which are in essence part and parcel of work related items that are exempt from FBT.

Any attempts to include such costs as a fringe benefit would require a declaration from the employee and FBT could be applicable to any private use percentage. The compliance cost of having to seek declarations and track for possible FBT reporting means that these costs, although properly attributable to 'work related items', are not exempt from FBT.

***Suggested treatment or change***

Section 58X is an example of a provision which has not kept pace with its subject matter. In order for the policy behind exempting work related items from FBT to be realised, the following amendments need to be considered:

- Abolishing the primary use test for mobile phones. Mobile phones are an essential work related item for many employees - the requirement that they be 'primarily used' for business is outdated and does not equate with the treatment of (arguably) less commonly used work items such as laptops and notebook computers. As such, subsection 58X(3) should be deleted and subsection 58X(4) amended to include mobile phones. The current wording of subsection 58X(4) would effectively safeguard against more than one mobile being issued to an employee.

- Inserting a more generic provision into section 58X which exempts work related items whose primary function is any combination of the items listed in subsection 58X. The use of the 'primary function' test for determining whether an item falls within section 58X is unworkable in an environment of convergent technologies where one device can perform multiple functions. There is no sound policy basis for excluding a device with equal but different functionalities,

particularly where many of the 'add-on' functions are rarely used by the employee.

- Amending section 58X to exempt access or utilisation tools that enable an employee to access work related items away from business premises.

The implementation of these changes would reduce compliance costs for both employers and the ATO in determining the FBT status of work related items and in tracking usage for 'primary use' purposes. Any revenue cost associated with these suggested changes are, in our view, likely to be immaterial.

## 7. Grouping and lodgment timing

***Details of problems identified***

*Grouping*

Generally and also with the introduction of the GST grouping and income tax consolidation regimes, many corporate entities record their transactions centrally on a single system.

The FBTAA does not currently provide corporate groups with the option of electing to lodge one group FBT return. This creates an additional compliance burden for those corporates that are grouped for GST and/or income tax purposes, who effectively have to 'ungroup' for the purpose of preparing separate FBT returns for each employing entity.

The availability of an option to group would remove the requirement for these already grouped entities to prepare a separate FBT return and quarterly instalment payments for each employing entity. It would also remove the possibility of inconsistent technical positions being taken in different entities, a situation that does arise under the current law.

*Lodgment Timing*

Under section 68 of the FBTAA, the annual FBT return of an employing entity must be lodged by 21 May or at such later period as allowed by the Commissioner.

For many large organisations, particularly those with a Substituted Accounting Period (**SAP**) of 31 December (under which the lodgment date for the income tax return is 15 July), it is virtually impossible to collect all of the data required to finalise a FBT return by 21 May. Adding to this almost unmanageable compliance burden is the reportability of most benefits and the

impact of the reporting requirements on the PAYG Payment Summary process, which includes informing employees of their pending exposure. The condensed collection and preparation process resulting from the current due date also lends itself to inaccuracies in RFBA numbers provided for PAYG Payment Summaries.

Under the current law, corporates who find themselves unable to lodge their FBT return by 21 May have the option of applying for an extension of time to lodge or using an agent to lodge. In this regard we note that unlike corporates, agents are provided with an automatic extension of time to lodge FBT returns.

***Suggested treatment or change:***

*Grouping*

Given the availability of grouping under both the GST and (income tax) consolidation regimes, corporates should be provided with a legislative option of preparing and lodging a single group FBT return where a formal application is made. As with GST and income tax, FBT grouping should be optional.

The availability of such an option would bring the FBT regime into line with the lodgment procedures of other taxes and would result in reduced ATO and corporate compliance and processing costs. It would also remove the need to trace employees transferring between grouped entities during the year, as well as correctly allocating between grouped entities where actual employee costs may be accounted for by the non-legal employer.

It is noted that the availability of a grouping option would have no revenue impact as the same amount of FBT would be payable under a consolidated FBT return as it would under individual FBT returns.

*Lodgment Timing*

The Commissioner should consider amending the ATO's position in relevant publications from "Deferrals will only be granted in extenuating circumstances" to (for example), "Large withholders/FBT Groups will be automatically entitled to an extension of time to lodge their FBT returns to 21 June". The ATO should also consider providing an extension of time for RFBA's to 21 July. Allowing corporates more time for lodgment of both their FBT return and RFBA figures would place large corporates in the same position as tax agents (in regards to FBT returns) and provide more certainty for both employees and the ATO in regards to RFBA figures provided.

Adopting these changes would not result in any revenue impact as any balancing payment would still be due on 21 May. However, consideration

may need to be given to the impact (if any) in the setting of new instalment rates for Q3 BAS.

*Aligning the FBT year with SAP*

As mentioned previously, the difficulties in meeting the current lodgment date of 21 May are heightened for those corporates with SAP's. For example, a corporate with a SAP of 31 December who uses a tax agent to lodge its FBT return would have the following compliance deadlines:

- FBT: 21 May
- Income tax: 15 July
- Payroll tax: 21 July

These deadlines place an enormous compliance burden on these corporates' tax resources for the first 6 months of the year. Providing such corporates with the option to align their FBT year with their SAP year would significantly ease this compliance burden as it would result in a more even spread of compliance work throughout the year, which would in turn reduce the risk of errors. As with providing the option for corporates to elect and lodge a group FBT return, this compliance easing measure would have no revenue impact, although further consideration would need to be given to the impact (if any) of the lag time on the due date for FBT, particularly in the case of 31 December balancers.

## 8. Child care facilities

***Details of problem identified:***

Sub-section 47(2) of the FBTTA provides an exemption for the provision of a residual benefit provided to current employees for the purposes of the care of their children in a child care facility. The exemption is limited to child care facilities located on the "business premises" of the employer, or where the employer is a company, the "business premises" of a related employer company.

The problem with the current exemption is twofold. Firstly, it is restricted to employers who have childcare facilities located on their premises or, where the employer is a company, a related employer's premises. Secondly, it only applies to residual benefits, rather than all expense payment benefits relating to child care. Residual benefits are quite limited as compared to expense paid benefits.

***Suggested treatment or change***

To compliment current government initiatives such as the baby bonus, child care rebates, family tax payments et cetera, the exemption from FBT for child care should be extended to cover payments made to all eligible child care facilities (as detailed below). This extension would effectively make child care more affordable for families on all levels of income, thus promoting and assisting the primary care giver in returning to work. It would also have the positive effect of aligning Australia with other developed countries in terms of the proportion of after tax dollars spent on child care and the development of more 'family friendly' tax and workplace initiatives.

In our view, sub-section 47(2) should be amended to extend the exemption to cover both residual and expense payment benefits provided to current employees that relate to the care of their children in a child care facility, provided the child care facility is:

- A child care facility run by an eligible organisation under the *Child Care Act 1972*, or

- An approved centre-based long day care service, family day care service, outside school hours care service or in-home care service, within the meaning of Part 8 Division 1 of the *A New Tax System (Family Assistance) (Administration) Act 1999*.

In broad terms, the exemption should apply to payments made to the same sorts of organisations contemplated in respect of the exemption from FBT of contributions to secure priority access to child care facilities (see sub-section 47(8) of the FBTAA).

## 9. Remote area residential fuel concession

***Details of problem identified***

Section 59 of the FBTAA provides a 50% concession in respect of residential fuel provided to employees in remote areas. The operation of sub-sections 59(1) to 59(3) is such that the concession is only available if the employee who is provided with the residential fuel is also in receipt of:

- a remote area housing benefit; or
- a remote area housing loan benefit; or
- a remote area housing rental benefit.

A reading of these provisions indicates that the concession is not available where an employee owns outright the accommodation he/she is living in, and in respect of which the residential fuel is provided.

If this reading is correct, then the provisions as currently drafted unfairly exclude those employers who are situated in established locations, as their employees are more likely to purchase and own their homes outright. Consequently, it is inequitable that those employers should not be entitled to the 50% concession in respect of residential fuel provided to those employees.

***Suggested treatment or change***

As there is no obvious policy reason why such employers should be disadvantaged, one can only assume that this outcome is an unintended consequence of the application of subsections 59(1) to (3).

Given this, we recommend that section 59 be amended to ensure that the 50% concession applies in respect of residential fuel provided to all employees whose usual place of residence is located in a remote area, as appears to be the policy intention.

**10. Remote housing benefit**

***Details of problem identified***

Under sec 58ZC of the FBTAA, a remote area housing benefit provided to an employee is an exempt benefit where certain conditions are met. These conditions, contained in subsection 58ZC(2), seem to result in a different outcome for FBT purposes where remote area housing is provided to an employee by an employer owning or leasing accommodation and providing it to the employee (a housing benefit), as distinct from the employee leasing the premises in their own name and the employer reimbursing part or all of the rent (an expense payment fringe benefit).

The housing benefit is exempt from FBT, but the expense payment fringe benefit is subject to tax (albeit concessionally taxed at 50% of the total amount). Given these arrangements are effectively the same, they should be taxed in the same way.

From the perspective of the employer, it may not be feasible to own property in a remote area, or indeed lease a premises that is suitable for one employee but not another (eg - because a single person's needs are different to family requirements). Further, whilst providing an incentive for staff to work in such remote areas, the employer may not want to pay the full amount of rental for all levels of staff.

***Suggested treatment or change***

The remote housing benefit concession should be available to employers who provide leased accommodation to their employees in remote areas, regardless

of whether the lease in question is in the employer's name, or the employer reimburses rent paid by an employee on a remote area property held in the employee's name.

In relation to extending the concession to cover both situations, we note section 58ZC(2)(e), which operates to disallow the exemption if the benefit was provided under a non-arm's length arrangement or an arrangement which has a purpose of obtaining the exemption. Although we recognise that this provision is aimed at situations such as those outlined in Taxpayer Alert TA 2002/9, the legitimate circumstance of employers reimbursing rent paid by an employee should be distinguished from such contrived arrangements.

Further, the circumstances outlined in ATOID 2002/412, where an employee terminates a lease on a property in their own name one day with the employer taking out the lease in their own name the next (which is not considered to be an 'arrangement'), would appear to be a far more contrived arrangement than where an employer simply reimburses rent paid by an employee.

Given these factors, and the protection that section 58ZC(2)(e)(ii) provides against contrived arrangements, we believe the remote housing benefit concession be extended as outlined above.

## 11. Relocation costs – divorce

***Details of problem identified***

There is currently no exemption for FBT costs incurred by an employer referable to relocation of an employee's spouse due to the breakdown of relationship (whether as a divorce or otherwise). As a result the employer is subjected to FBT on the costs incurred, and the employee has the amount disclosed as a benefit on their PAYG Payment Summary which in turn impacts their ongoing child support and related liabilities.

The impact of not exempting these costs from FBT is twofold. Firstly, there is the obvious issue of the costs giving rise to an FBT liability for the employer. Secondly, and probably most importantly, is the situation of the disgruntled employee (whose employer has done the right thing and relocated the ex-spouse or partner back to their original location) who finds the relevant relocation costs appearing on their PAYG Payment Summary which in turn results in an increase in their child support liability. Such an outcome seems quite unfair.

***Suggested treatment or change***

The provisions in the FBTAA dealing with relocation expenses should be amended to exclude expense payment benefits that arise when an employee's

spouse and other family members are relocated back to their original location from where they relocated in order for the employee to take up current employment. At the very least, the amount should be excluded from any disclosure on the employee's PAYG Payment Summary.

## 12. Restriction to access of the statutory formula for salary packaged cars

***Details of problems identified***

FBT for cars is calculated on a concessional basis utilising a statutory formula which essentially is based on the cost of the car and the kilometers traveled. Employers as a matter of practice almost always adopt the statutory formula in determining the FBT liability for cars.

To access the statutory formula, the motor vehicle must be a 'car' as defined in sec 136 of the FBTAA. When FBT was first introduced in 1986 the definition in sec 136 covered the types of motor vehicles provided to employees which it was intended would be subject to FBT. However, in recent years new types of motor vehicles have been developed (eg: Sports Utility Vehicle (SUV) and extensions to the original utility truck concept) which fall outside the car definition.

Employees are increasingly salary packaging the above types of vehicles, which in the case of a number of models, fall outside the definition of a 'car' in sec 136 and are therefore ineligible for salary packaging utilising the statutory formula. Instead, these types of vehicles if provided to employees are subject to FBT as a residual fringe benefit. Residual fringe benefits are generally determined for FBT on a cents per kilometer basis as annually advised by the ATO for private usage of the vehicle.

Several issues arise as a result of certain types of vehicles not being 'cars' for FBT purposes, including:

- Inability to access the concessional statutory formula method of calculating FBT;
- Increased record keeping requirements for the employee for private kilometers traveled and required monitoring by the employer; and
- Inconsistencies between employees who take a salary packaged 'car' and those employees that take a salary packaged non car (often inadvertently) where the vehicles are similar and used for the same purpose.

***Suggested treatment or change***

Given there is no logical basis to treat vehicles differently for FBT purposes when the vehicle is salary packaged, we suggest that an election be provided whereby the employer can elect to use the FBT statutory formula for a salary packaged vehicle which is not classified as a ‘car’ (as detailed in MT2024).

The provision of a ‘statutory formula’ election would ensure that the FBT regime accurately reflects the evolving nature of the types of motor vehicles provided by employers to employees either for business use or for salary packaging purposes.

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