



# HHH PARTNERS

## COVID INCENTIVES & TAX

The Australian Taxation Office has recently published an article to businesses about their tax and super obligations if incentives or rewards are provided to employees on obtaining their COVID-19 vaccination or booster dose.

Incentives and rewards may include:

- Cash payments,
- Paid leave,
- Transport to and from the vaccination,
- Non-cash gifts, such as vouchers and gift cards.

Each incentive and reward is listed below with the tax outcome:

### Cash Payment

If an employer provides a cash benefit to an employee for obtaining their COVID-19 vaccination, the amount:

- Must be included as salary and wages on the income statement,
- Must be declared as income in the employee's Income Tax Return,
- Include the amount as ordinary time earnings and pay superannuation to the employee's super fund by the due date.

The employer will be required to withhold tax from the payment.

### Paid Leave

Paid leave will be treated like any other paid leave taken if the employer grants the employee leave to:

- Obtain the COVID-19 vaccination,
- Recover from any side effects after receiving the vaccination.

These paid leave payments received will be treated as salary and wages by the employee and included as income. The employer must also satisfy the super obligations for this leave.

### Transport

Transport expenses to travel to and from the COVID-19 vaccination clinic is not an expense incurred in carrying out employment duties. This is considered a private expense, even if the vaccination is a condition of employment. Therefore, transport incurred by an employee would not be deductible in their Income Tax Return.

Transport expenses incurred by an employer does not result in Fringe Benefits Tax (FBT) payable. The travel is deemed to be associated with work-related preventative health care and is exempt.

*Note – the Federal Government has announced that they intend to make COVID-19 testing expenses tax deductible for testing taken to attend a place of work. They will also ensure FBT is not incurred by employers where COVID-19 tests are provided to employees for this purpose.*

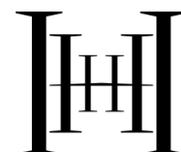
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### Non-Cash Benefits

Non-cash benefits received by an employee does not need to be declared in an Income Tax Return.

Some non-cash benefits may be reportable fringe benefits. This is included in the employee's Income Tax Return and may be used for:

- Determining eligibility for certain government benefits and concessions, such as family assistance payments and tax offsets.
- Determining liabilities for means tested taxes, such as Medicare Levy surcharge and Private Health Income Tax offset.
- Determining child support obligations.

The benefits provided by an employer may result in FBT being paid, unless an exemption applies.

### FBT

FBT on non-cash benefits provided by an employer will depend on the specific terms and conditions, and exemptions or reductions may apply. The most common exemptions and reductions are below:

### Benefits Provided to General Public

If you provide benefits to everyone that has their COVID-19 vaccination, no FBT will apply to employees as the benefit is not provided in respect of their employment.

### In-House Fringe Benefits Reduction

If you provide employees with benefits that are identical or similar to products and services you provide to customers in the ordinary course of business, you can reduce the taxable value of the fringe benefits by \$1,000 if not provided under a salary packaging arrangement. This is demonstrated by the below example:

*A shoe store gives each employee who receives both of their COVID-19 vaccinations shoes of their choice up to the value of \$300. Dominic, an employee, receives both of his vaccinations and receives two pairs of shoes with a total retail value of \$300.*

*The shoes are in-house property benefits and the store does not give their employees any other in-house benefits during the FBT year. The employer is within the \$1,000 aggregate threshold for in-house benefits provided to Dominic and the other requirements relating to the concession are met. The taxable value of the fringe benefit is reduced to nil and the store has no FBT obligation in respect of those benefits.*

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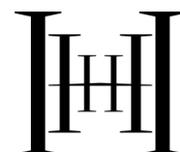
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### Minor Benefits Exemption

A benefit that has a value of less than \$300 may be exempt from FBT as a *minor benefit* if it would be unreasonable to treat it as a fringe benefit after considering the following five criteria:

- the benefit is provided infrequently and irregularly,
- the value of the minor benefit and other similar or identical benefits is low,
- the total value of the minor benefit and other benefits provided in connection with it is low,
- it is difficult to calculate the taxable value of the benefit and any associated benefits, and
- the benefit is provided as a result of an unexpected event.

Please contact our office if you require more information about COVID-19 Incentives and Tax.

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