1. Statement
This procedure describes the taxation implications processes regarding allowances for relocation/transfer and appointment expenses.

2. Scope
Compliance with this standard is mandatory.
This standard applies to all employees, contractors and consultants within the Department of Health divisions and commercialised business units as well as Hospital and Health Services.

3. Requirements

Introduction
Queensland Health makes a range of payments to employees for relocation/transfer and appointment expenses.

Payments to employees for various relocation/transfer and appointment expenses have been identified as either allowances or fringe benefits and therefore are subject to either Pay-As-You-Go (PAYG) Tax or Fringe Benefits Tax (FBT) respectively.

Allowances paid in respect of relocation costs are considered by the Australian Taxation Office to be of a private or domestic nature and therefore are non-deductible in accordance with Section 8-1(2)(b) of the Income Tax Assessment Act 1997. The PAYG withholding system requires payers of allowances to withhold an amount from payments made to various payees. The ATO document “PAYG Withholding – Withholding from allowances” outlines the correct tax treatment of these allowances.

The section “Taxation Implications for Relocation/Transfer and Appointment Expenses” details the Directives and IRMs under which these types of expenses may be paid to employees, identifies all the types of payments available and states the taxation result of each of those payments.

Purpose of this Business Procedure
The purpose of this Business Procedure is to provide advice on the procedures for processing the relocation/transfer and appointment expenses that have been specifically identified as allowances. This ensures that Queensland Health is meeting its taxation obligations.

SPECIAL NOTES
(a) Payments may be made to employees on a cents-per-kilometre basis, also referred to as “kilometric allowance payments”, specifically for using their car for official purposes. When claiming for relocation/transfer or an appointment, these are subject to FBT, not PAYG. These payments are to be processed by Accounts Payable. Other “kilometric allowance payments” are dealt with under the PAYG regime and are to be paid through HR/Payroll.
(b) There is a separate FBT Fact Sheet covering payments for relocation/transfer & appointment expenses that are fringe benefits. However, both Business Procedures need to be considered in conjunction as the claim form lodged by the employee may contain both fringe benefits and allowances. The fringe benefit expenses will be processed by Accounts Payable and the allowances must be processed by HR/Payroll Services.

(c) Claims for all types of relocation/transfer & appointment expenses must be made on the existing Transfer Expenses Claim form as a supporting document. Most of the expense types for both fringe benefits and allowances are addressed on this claim form.

### Identified PAYG Allowances

Specific relocation/transfer and appointment expense allowances have been identified as salaries and wages in nature, and therefore subject to PAYG. These are:

- Accelerated depreciation of furniture and effects;
- Dislocation allowance;
- Education assistance for dependent children;
- Allowance for own packing of furniture and effects;
- Compensation for disposal of furniture and effects in lieu of transport; and
- Cash-in-lieu of a refund of fares.

These allowances are to be processed through the payroll system.

### Processing Allowances

#### Accounts Payable

Where claims are received that include a request for payment of any or all of the above allowances:

1. After checking the claim for correctness etc., take a copy of the Transfer Expenses Claim
2. Get the copy countersigned by the appropriate officer authorising payment.
3. Highlight the allowances on the countersigned and dated copy and forward to the relevant HR/Payroll area for processing of the allowances only.
4. Send a short advice to the employee advising that the allowances claimed will be paid with their normal salary with tax deducted, and that the balance of any payments on their claim, if any, will be processed by Accounts Payable.
5. Process the balance of the original claim for the non-allowance expenses.

#### Payroll Services

1. On receipt of the signed and dated copy of the claim from Accounts Payable, process the relevant allowances highlighted, against the relevant earning codes (wage types) set up in the payroll system.
2. Advise Accounts Payable that the processing has been completed and retain the copy of the claim form as supporting documentation for audit purposes.
Taxation Implications for Relocation/Transfer and Appointment Expenses

Queensland Health may make a range of payments to officers for relocation, transfer and appointment expenses. The extent and types of payments available are set out in various sections of the Integrated (HR/IR) Resource Manual (“IRM”), or HR Policies issued by Queensland Health, and Directives issued by the Public Service Commission (“the Commission”). Much of the policy contained in the relevant sections of the IRM is drawn from the Directives.

Payments to employees for relocation, transfer and appointment expenses have been identified as being either allowances or fringe benefits and therefore will be subject to either Pay-As-You-Go withholding (“PAYG”) or Fringe Benefits Tax (“FBT”).

Depending on the type of fringe benefit, some concession or exemption may be available under the FBT law.

No exemptions are available from the PAYG requirements as relocation costs are considered under Income Tax law to be of a private or domestic nature and therefore are not deductible.

In relation to the application of the FBT law, “relocation transport” is defined to include those benefits provided in respect of employment of the employee for transport of the employee and family and the transport is required solely because:

(1) the employee is required to live away from their usual place of residence in order to perform the duties of that employment;

(2) the employee having lived away from their usual place of residence in order to perform the duties of that employment, is required to return to their usual place of residence:

   (a) in order to perform those duties; or

   (b) because the employee has ceased to perform those duties; or

(3) the employee is required to change (e.g. permanent transfer) their usual place of residence in order to perform the duties of that employment.

Payments that fall under allowances will require the appropriate level of tax deducted from the payment (PAYG) and the gross payment and tax deducted, reported on the employee’s Payment Summary.

Payments which are subject to FBT, and are not exempt for FBT purposes, will have a “taxable value”. These will require Queensland Health to pay the FBT, and the fringe benefit will need to be shown on an employee’s Payment Summary as a “reportable fringe benefit amount”.

SPECIAL NOTE – If an employee who is salary sacrificing and eligible to access the FBT exemption cap receives payments for relocation/transfer or appointment expenses which are subject to FBT and are not exempt fringe benefits then they need to consider these payments in relation to the $17,000 “grossed up taxable value” (GUTV) exemption threshold available under the FBT law.

Although Queensland Health has a number of policies in place for various classes of employees as well as the Directive issued by the Commission, the taxation results will be the same where the same payment type is made under the different policies and the directive.
Directive No.11/11 *Transfer and Appointment Expenses* specifically covers relocation, transfer and appointment expenses and applies to public service officers and temporary employees engaged under the *Public Service Act 2008*. Queensland Health extends the relevant policies by calling in this Directive to cover the broader spectrum of its employees including the employees who are or may be employed under the *Hospital and Health Boards Act 2011* (“health service employees”) instead of only those employed under the *Public Service Act 2008* (“public service employees”).

**IMPORTANT**

Directive No.13/08 *Relocation Expenses for Officers Retiring from the Service* issued by the Commission specifically covers relocation expenses for public service officers who are retiring. This Directive also extends to include employees of Queensland Health appointed as health service employees by virtue of HR Policy A1 *Queensland Health Employment Framework*. However, all expenses payable as fringe benefits under this Directive would be fully taxable for FBT with no concessions or exemptions available as the benefits paid would not be in respect of “relocation transport” as defined in ss.58F and 143A of the *Fringe Benefits Assessment Act 1985*.

There are two Directives (No.9/11 *Domestic Travelling and Relieving Expenses* and No.10/11 *International Travelling, Relieving and Living Expenses*) utilised by Queensland Health simply to establish certain rates of payment covering travelling and relieving expenses.

HR Policy D4 Transfer and Appointment Expenses and Directives 9/11, 10/11, and 11/11 are authority for the payment of relocation, transfer and appointment expenses.

All of the above Policies and Directives have been reviewed to establish all of the types of expenses that may be paid to employees.

Each expense type has been categorised below stating: -

- Whether it is subject to PAYG or FBT and whether tax is payable;
- How the payment of the expense should occur (i.e. through Accounts Payable or Payroll Services);
- Where applicable, if any supporting documentation is required to possibly gain concessional treatment or exemption under the FBT law;
- Whether the payment gives rise to a benefit that is to be included in the *Reportable Fringe Benefits Amount* (i.e. to be reported on employee’s Payment Summary) where the expense is subject to FBT

**Note 1**

It is not intended to cover the value of the expense payment unless it has some particular relevance in tax law and each of the expense types reported could be paid under either Relocation/Transfer or Appointment Expenses depending on the relevant Directive or IRM.

**Note 2**

References to sections below (e.g. section 58F) are sections of the Fringe Benefits Tax Assessment Act.

**Note 3**

It is pointed out that employees are not necessarily entitled to all of the expense types listed below. Inclusion here is not intended to indicate an entitlement which should be ascertained from HR documents. The tax treatment is still applicable either way.
1. **COSTS OF TRAVEL TO THE NEW CENTRE**

This is the transport cost incurred by the employee (including family) in travelling to the new centre to take up new residency and employment.

Queensland Health pays a number of different expenses while the employee is en route to the employee’s new centre.

1.1 Cost of Travel by Rail, Air, Bus or some other alternate travel arrangements or, reimbursement for cost of petrol and oil where employee uses own vehicle

- Subject to FBT - **EXEMPT Benefit (section 58F).**
- **Paid by Accounts Payable.**
- **No FBT payable and not reportable.**

1.2 Cost of travel by employee’s car paid on a cents-per-kilometre-basis.

**SPECIAL NOTE** – The tax consequence described below applies only where a cents-per-kilometre payment is being made specifically for relocation, transfer and appointment expenses.

- Subject to FBT – the taxable value of the benefit can be reduced to NIL (section 61B) on completion of a declaration.
- Paid by **Accounts Payable** (must collect the signed declaration and keep with the approved “transfer expenses claim form”. No declaration = No reduction.)
- **No FBT payable and not reportable provided declaration received.**

1.3 Cost of Accommodation and Meals en route

- Subject to FBT - **EXEMPT Benefit (section 58F).**
- **Paid by Accounts Payable.**
- **No FBT payable and not reportable.**

2. **COSTS OF MEALS PROVIDED WHILE IN TEMPORARY ACCOMMODATION**

The accommodation must be a hotel, motel, hostel or guesthouse including a registered lodging house.

Queensland Health may pay for some meal costs while the employee is in temporary accommodation prior to departure from the old centre or on arrival at the new centre.

2.1 Cost of meals while in temporary accommodation prior to departure.

- Subject to FBT - **Concessionally treated (section 61D).**
  
  Where meals are claimed while the employee is in the above temporary accommodation and the accommodation is provided prior to departure for valid reasons such as the former home no longer being available, then the **taxable value** of the meals is the cost of each meal reduced to a maximum of $2.00 per meal per adult and $1.00 per meal per child younger than 12 years old. This concession is limited while in temporary accommodation during a maximum 21-day period ending on the day the employee starts work at the new location.

- **Paid by Accounts Payable.**
• **FBT payable and reportable** (Taxable value to be recorded in FBT OneSource under Standard Category ‘Relocation’ and GUTV to be included on employee’s Payment Summary as a RFBA).

2.2 Cost of meals while in temporary accommodation at new location

• Subject to FBT – **Concessionally treated (section 61D).**

Where meal costs are met while the employee is in the same type of accommodation as specified above (see 2), the same reduction to meals as is given when in temporary accommodation prior to departure (see 2.1) applies, except that the concession begins at the new centre seven (7) days prior to the employee commencing duties and ends when the employee could reasonably be expected to occupy new purchased or long-term leased accommodation. This is usually limited to a maximum period of four (4) months. However, it can be extended in certain circumstances. If a longer period occurs, contact the Taxation Unit, Finance Branch, for further advice.

• Paid by **Accounts Payable.**

• **FBT payable and reportable** (Taxable value to be recorded in FBT OneSource under Standard Category ‘Relocation’ and, GUTV to be included on employee’s Payment Summary as a RFBA).

3. **COSTS OF TEMPORARY ACCOMMODATION PROVIDED IN A “UNIT OF ACCOMMODATION”.**

Queensland Health may pay for some temporary accommodation costs prior to the employee’s departure from the old centre, or on arrival at the new centre. This may consist of accommodation in a hotel, motel, registered lodging house, house, flat, cabin or unit with cooking facilities, caravan or staying with relatives or friends. These all fall under the definition of “Unit of Accommodation” in s.136(1), Fringe Benefits Tax Assessment Act.

3.1 Cost of temporary accommodation prior to departure.

• Subject to FBT – **Concessionally treated (section 61C) reduced to NIL conditional on:**

The accommodation being provided prior to departure for valid reasons such as the former home no longer being available for occupancy due to furniture removal etc. This concessional reduction to NIL is also limited to temporary accommodation during a maximum 21-day period ending on the day the employee starts work at the new location.

• Paid by **Accounts Payable**

• **No FBT payable and not reportable provided the conditions are met.**

3.2 Cost of temporary accommodation at new location.

• Subject to FBT – **Concessionally treated (section 61C) reduced to NIL conditional on:**

The employee making sustained and reasonable efforts to buy or lease suitable long-term accommodation as soon as reasonably practicable after starting work. The concession is limited to an occupancy period that begins at the new centre seven (7) days prior to the employee commencing duties and is ordinarily limited to a maximum occupancy period of four (4) months. However, this can be extended in certain circumstances relevant to sale of previous home and purchase of a new home - (declaration required). If a longer period occurs, contact the FBT Team, Taxation Unit, for further advice.
• Paid by Accounts Payable
• No FBT payable and not reportable provided the conditions are met.

4. COSTS OF TRANSPORT, REMOVAL, STORAGE, PACKING, UNPACKING AND INSURANCE OF FURNITURE AND EFFECTS (including pets, boats, caravans, trailers, cars etc.).

Queensland Health may pay costs associated with all of the above listed expenses with some limitations and or conditions.

4.1 Costs of removal, storage, packing, unpacking and insurance of household effects including pets, boats, caravans, trailers, cars etc. kept primarily for the use of the employee and family.

• Subject to FBT – EXEMPT Benefit (section 58B) – conditional on:
  Removal taking place, or storage commencing, not more than 12 months after the employee begins employment duties at the new location.

• Paid by Accounts Payable.
• No FBT payable and not reportable provided the conditions are met.

4.2 Employee is paid an amount for own packing.

• Subject to PAYG as a taxable allowance –
  Directive No.11/11 allows for a flat payment of an allowance to an employee to defray the costs of undertaking the packing themselves on their own time. (Note – The above Directive also allows an additional payment for the cost of packing material. A receipt is required for the reimbursement of the packing material costs. This would be treated as an expense payment benefit and therefore an exempt FBT expense under section 58B evidenced by the receipt).

(a) Payment of the allowance to be made by Payroll Services and taxed under PAYG – amount of payment to be included on the employee’s Payment Summary in Gross Income.
(b) Payment for reimbursement of packing material paid by Accounts Payable – No FBT payable and not reportable.

5. PAYMENT FOR ACCELERATED DEPRECIATION OF FURNITURE AND EFFECTS TRANSPORTED TO NEW LOCATION OR COMPENSATION FOR DISPOSAL OF FURNITURE AND EFFECTS IN LIEU OF TRANSPORT.

Queensland Health may pay an allowance for accelerated depreciation based on the insured value of furniture and effects being transported. This is to cover deterioration of furniture and effects lifted and moved, and thereby being subjected to wear and tear not normally encountered. Queensland Health may also pay compensation for furniture & effects elected by the employee to be disposed of instead of being transported to the new location.

5.1 Payment for accelerated depreciation of furniture and effects or compensation for disposal of furniture and effects.

• Subject to PAYG as a taxable allowance.
• Paid by Payroll Services and taxed under PAYG – amount of payment to be included on employee’s Payment Summary in Gross Income.
6. **COSTS ASSOCIATED WITH SALE OR ACQUISITION OF DWELLING AND/OR LAND.**

Queensland Health may meet a range of expenses in relation to the sale and/or purchase of a home or land subject to a range of conditions.

6.1 (a) Costs incidental to the sale and/or purchase of a house or land including stamp duty, advertising, legal fees, agent’s commission, discharge of a mortgage, expenses of borrowing or any similar capital expenses.

6.1 (b) Costs associated with the connection or reconnection of gas, electricity and telephone services.

- Subject to FBT – **EXEMPT Benefits (section 58C)** – conditional on documentary evidence being provided to employer of the expenses, and:
  - The exemption only applies to the home being **sold** if:
    - Sale is solely due to change of usual place of residence for employment;
    - House or land was owned when employer notified employee of change to new site;
    - House was employee’s usual place of residence. If land sold then it must have been the intention of the employee to build and occupy the dwelling as his principal place of residence; and
    - Sale contract was made within 2 years of commencing duty at new site.
  - The exemption only applies to the home that is **purchased** if:
    - The employee owned a home/land at the former locality;
    - Purchase made solely due to relocation;
    - New home occupied as usual place of residence or land purchased for building the usual place of residence for the employee; and
    - Purchase contract was made within 4 years of starting job at new location.
  - In the case of telephone connections, the employee must have had a telephone connected at the former residence to gain the exemption.

- Paid by Accounts Payable.
- No FBT payable and not reportable provided the conditions shown above are met.

7. **COSTS FOR CONNECTION OR RECONNECTION OF CERTAIN UTILITIES**

Queensland Health may pay the costs of reconnection of a telephone at the new centre where a telephone was installed at the personal cost to the employee at the previous centre. This need not be in relation to the sale/purchase of a house.

7.1 Connection or reconnection of gas, electricity and telephone services.

- Subject to FBT – **EXEMPT Benefits (section 58D)** – conditional on:
  a) The cost of the connection or reconnection is made solely because of the relocation to another job locality;
  b) The connection or reconnection being performed within 12 months of starting work at the new location;
  c) Documentary evidence of the expenditure being provided to employer;
d) In the case of telephone connections, the employee must have had a phone connected at the former residence;

e) The relevant benefit must be either an expense payment benefit or a residual benefit (Queensland Health reimburses the costs therefore making it an expense payment).

- Paid by Accounts Payable.
- No FBT payable and not reportable provided the conditions stated above are met.

8. DISLOCATION ALLOWANCE
Queensland Health may pay an allowance to compensate employees for incidental personal expenses in getting to and settling in the new location.

8.1 Dislocation allowance
- Subject to PAYG as taxable allowances.
- Paid by Payroll Services and taxed under PAYG – amount of payment to be included on employee’s Payment Summary in Gross Income.

9. EDUCATION ASSISTANCE FOR DEPENDENT CHILDREN
Queensland Health may pay an allowance to defray the employee’s additional education costs of placing their children at the new location.

9.1 Education assistance allowance
- Subject to PAYG as taxable allowances.
- Paid by Payroll Services and taxed under PAYG – amount of payment to be included on employee’s Payment Summary in Gross Income.

10. CASH PAYMENT IN LIEU OF REIMBURSEMENT FOR EXPENSES INCURRED FOR TRANSFER/RELOCATION OR APPOINTMENT
If Queensland Health makes a cash payment to an employee in lieu of reimbursing transfer/relocation or appointment expenses.

10.1 Cash payments in lieu of reimbursements for transfer/relocation or appointment expenses
- Subject to PAYG as taxable allowances.
- Paid by Payroll Services and taxed under PAYG – amount of payment to be included on employee’s Payment Summary in Gross Income.

4. Related legislation and documents
- Income Tax Assessment Act 1997 section 8-1(2)(b)
- Directive No.11/11 Transfer and Appointment Expenses
- Directive No.13/18 Relocation Expenses for Officers Retiring from the Service
• Directive No.9/11 Domestic Travelling and Relieving Expenses
• Directive No.10/11 International Travelling, Relieving and Living Expenses
• HR Policy A1 Queensland Health Employment Framework
• HR Policy D4 Transfer and Appointment Expenses
• PAYG Withholding – Withholding from Allowances (Australian Taxation Office)

Version Control

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Minor changes and update of Directives