



FACT SHEET

Fringe Benefits Tax

What is FBT?

Fringe benefits tax (FBT) is a taxing regime designed to tax fringe benefits provided by employers to employees in respect of their employment. It was introduced as a means of ensuring that an employee's entire remuneration package and other benefits received were captured in the tax net. Prior to the introduction of FBT, fringe benefits were effectively a tax-free source of income for employees. The FBT rate is linked to the highest marginal rate of tax and Medicare levy payable by an individual, currently 49%.

What constitutes a Fringe Benefit?

A fringe benefit is basically any form of benefit provided by an employer (or associate) to an employee (or associate) in respect of employment. For example, any form of remuneration paid in place of salary as part of a salary packaging arrangement, such as private use of a company car. Or a payment made by an employer on behalf of an employee that is otherwise non-deductible, such as entertainment expense. Examples of common fringe benefits include:

- Car and car parking benefits
- Entertainment benefits
- Expense payments
- In-house benefits (e.g: free or discounted goods produced by the employer)

The type of fringe benefit will determine the method by which the taxable value of the benefit is calculated. The taxable value of a fringe benefit is reduced by:

- Any amount paid by the employee or recipient towards the fringe benefit
- The amount that would be deductible had the employee incurred the expense

If the recipient reimburses the employer for 100% of the fringe benefit, or the fringe benefit comprises an amount that would be 100% deductible in the employee's name, no FBT is payable as the taxable value is reduced to nil. There are certain exemptions and concessions available such as:

- Exemptions for the provision of work-related items such as protective clothing, tools of trade, briefcases, portable electronic devices and computer software
- \$1,000 threshold per employee for in-house benefits i.e.: no FBT payable on in-house fringe benefits with a taxable value below this threshold

How is FBT calculated?

There are several steps to determining an FBT liability:

- Determine the **taxable value** of the fringe benefit. The calculation method is determined by the type of benefit provided
- Determine the **taxable amount** of the fringe benefit. The taxable amount is determined by grossing up the taxable value of the fringe benefit. The gross-up has the effect of negating any tax advantage enjoyed by providing benefits from pre-tax profits. There are two gross-up methods:
 - If the employer is entitled to GST input tax credits, multiply the taxable value of the fringe benefit by 2.1463
 - Otherwise, multiply the taxable value of the fringe benefit by 1.9608
- Multiply the taxable amount by the FBT rate to arrive at the FBT liability

**Disclaimer: The information contained in this fact sheet is not intended as specific advice.
Please contact Enspira Financial to discuss your individual situation.**



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What are the Income Tax consequences of Fringe Benefits and FBT?

Any fringe benefit that is subject to FBT is deductible for income tax purposes, as is the fringe benefits tax itself.

Record-Keeping Requirements

As with all aspects of tax administration, employers must maintain FBT records in accordance with ATO requirements. This includes records substantiating any outgoings relating to the provision of fringe benefits and records substantiating reductions in the taxable value of fringe benefits (e.g: log books proving business use of a company car).

Reporting Requirements

FBT is self-assessed. The FBT year runs from 1 April to 31 March, and employers providing fringe benefits must complete an annual FBT return which is due for lodgement in May following the end of the FBT year. FBT is payable either in a lump sum or in quarterly instalments, depending on the size of the liability.

Employers are required to report the taxable amount (i.e: grossed up amount) of any fringe benefits provided to employees on their PAYG Payment Summaries under "Reportable Fringe Benefits". This is because fringe benefits are considered in income testing for various government benefits such as family tax benefit.

What Next?

If you are in business, contact your manager or partner at Enspira Financial to discuss how Fringe Benefits Tax potentially impacts your business.

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Enspira Financial Pty Ltd | ABN 29 611 163 083 | www.enspira.com.au | P: 1300 908 558 | E: info@enspira.com.au |

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