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# Fringe Benefits Tax (FBT)

All You Need to Know!

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**A fringe benefit is like a payment to an employee, but in a different form to salary or wages.**

**Fringe benefits tax (FBT) is a tax paid by employers on certain benefits provided to their employees. In most cases this tax is passed onto the employee as part of the employee 'payment' of this fringe benefit.**

**FBT can be slightly confusing to understand, so let's break it down.**



## What is a fringe benefit?

A fringe benefit is a benefit to employees that is available on top of their normal salary (resulting in a similar after tax income in your pocket) but in most cases it forms part of your salary and the employee receives less after tax income due to the fringe benefit repayment. These are usually seen as 'perks' of a job.

## Who receives fringe benefits?

FBT applies to fringe benefits provided to your employees, or to your employees' families or other associates.

For FBT purposes, an employee includes a:

- current, future or past employee
- director of a company
- beneficiary of a trust who works in the business.

If you're a sole trader or a partner in a partnership, you are not an employee. Benefits you provide to yourself are not subject to FBT.

Your clients are not employees. Benefits you provide to clients, such as entertainment, are not subject to FBT.

## Fringe benefits for employees can include:

- use of a work car for private purposes
- car parking
- taxis or rideshare travel
- tolls
- gym membership
- entertainment and travel
- reimbursing an expense incurred by an employee, such as school fees
- discounted interest rate or interest free loans
- salary sacrifice arrangements
- accommodation, living away expenses, housing, board or mortgage repayments.

## Fringe benefits do not include:

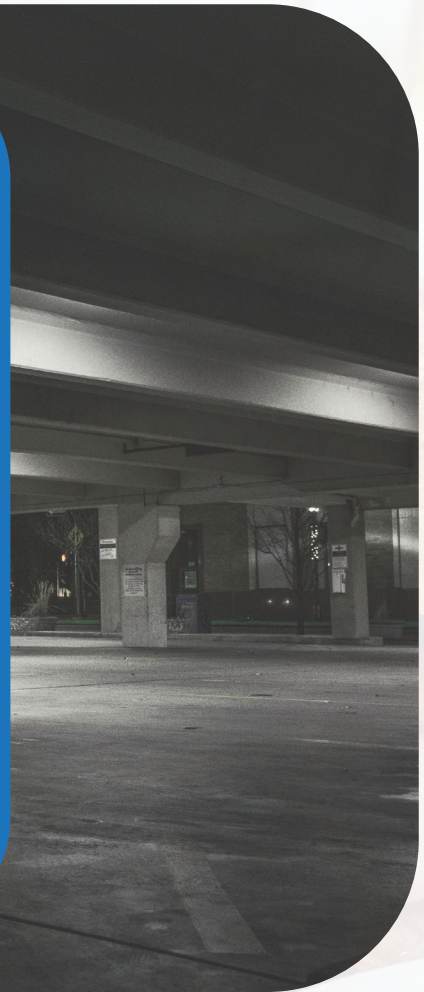
- salary and wages
- employer contributions to complying super funds
- shares or rights provided under approved employee share acquisition schemes
- employment termination payments (including, for example, the gift or sale at a discount of a company car to an employee on termination)
- payments deemed to be dividends under Division 7A
- benefits provided to volunteers and contractors
- exempt benefits, such as certain benefits provided by religious institutions to their religious practitioners.

## What are the benefits to providing fringe benefits to employees?

Fringe benefits are great incentives for employees, as they are receiving extra bonuses on top of their salary or if included as part of their salary, having their pre-tax income 'pay' for a private/non-tax deductible expense. This can make your workplace look appealing compared to others and help to attract and retain employees, particularly in competitive industries.

Implementing a range of fringe benefits can lead to increased employee satisfaction and a positive company culture.

As an employer, there are potential tax savings for your business as you can claim some deductions for certain benefits.



## Who pays FBT?

The employer pays FBT. This is the case even if the benefit is provided by a third party under an arrangement with the employer. As mentioned earlier, employers will most likely pass this FBT onto the employee as part of their fringe benefit arrangement.



## How much FBT do you pay?

To work out how much FBT to pay, you 'gross-up' the taxable value of the benefits you've provided. This is equivalent to the gross income your employees would have to earn, at the highest marginal tax rate (including the Medicare levy), to buy the benefits themselves.

The FBT you pay is 47% of this 'grossed-up' value of the fringe benefits.

## How do I know if my business needs to pay FBT?

Look at the list below and tick yes if you provide any of these benefits to your employees

We provide entertainment such as movies, food, meals

Business vehicles are available for private use

We have salary sacrificing packages available

Goods are available at cheaper prices than the general public

We offer car parking

Reduced interest rate loans are available

We waive/cover staff debts

An employees' private expenses such as school fees are reimbursed and/ or paid for

We provide accommodation to employees such as a house

Living away from home allowances are provided

If you ticked yes to any of the above, your business may need to register for FBT.

## What do you need to do?

As an employer, you need to:

1. Identify the types of fringe benefits you provide.
2. Check for FBT concessions and ways you can reduce FBT.
  - Some benefits are exempt from FBT, such as work-related items.
  - You can reduce your FBT liability by using alternatives to fringe benefits or providing benefits that are eligible for a concession.
3. Work out the taxable value of fringe benefits you provide.
4. Calculate your FBT liability.
5. Keep records, including employee declarations where needed.
6. Lodge an FBT return and pay the FBT you owe.
7. Report each employee's fringe benefits in their end-of-year payment information, if required.

### Benefits exempt from FBT

Some work-related items are exempt from FBT, such as portable electronic devices and tools of trade.



## Reducing your FBT liability

There are ways to reduce your FBT by using alternatives to fully taxable fringe benefits or providing concessional benefits.

These include:

- providing benefits that would be deductible for the employee
- using employee contributions
- providing a cash bonus
- providing exempt or concessional benefits.

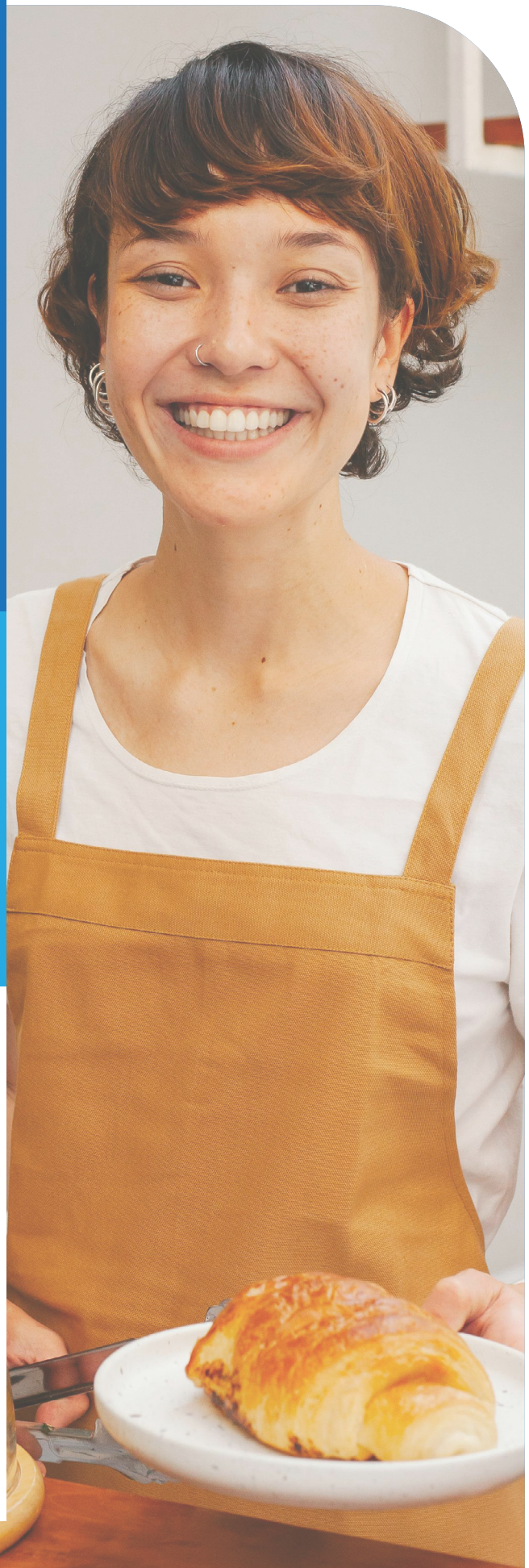
## Calculating FBT

There are several steps involved to calculate your FBT and what you own, which is usually due for the FBT year ending 31 March. The full run down can be found on the ATO website. Note: it's quite a complicated calculation!

**We're here to make fringe benefits easier.**

**If you need help calculating your fringe benefits, we can assist to make this process simple - after all tax is what we deal with daily and we know fringe benefits inside-out!**

**Any advice in this fact sheet is general in nature and not tailored to your specific circumstances. For more information visit [www.ultimate-tax.com.au](http://www.ultimate-tax.com.au)**





# Thank You

## For your Business

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