

Fringe Benefits Tax

Fringe benefits tax (FBT) is paid on particular benefits employers provide to their employees or their employees' associates instead of salary or wages. Benefits can be provided by an employer, an associate of the employer, or a third party by arrangement with the employer. An employee can be a former, current, or future employee.

FBT is separate from income tax and based on the taxable value of the various fringe benefits provided. The FBT year runs from 1 April - 31 March.

The following categories of fringe benefits apply, with specific valuation properties applicable to each category:

- **Car** – e.g. letting employees use a work vehicle for a private purpose
- **Car parking**
- **Debt waiver**
- **Entertainment** – e.g. food, drink, recreation
- **Expense payment** – e.g. reimbursing an expense incurred by an employee such as school fees
- **Home phone and internet**
- **Housing**
- **Living Away From Home Allowance** – there have been significant changes to the Living Away From Home Allowance rules. Please contact us for further details
- **Loan** - e.g. granting an employee a cheap loan
- **Property**
- **Residual**

The following are NOT fringe benefits:

- Approved employee share acquisition schemes
- Employer contributions to complying superannuation funds
- Employment termination payments - e.g. company car given or sold to employee when they leave
- Certain benefits provided by religious institutions to their religious practitioner
- Taxi travel expenses (doesn't include ride sharing services)

You can reduce the amount of FBT you pay by:

- Replacing fringe benefits with a cash salary
- Providing benefits that your employees would be entitled to claim as an income tax deduction if they had paid for the benefits themselves
- Providing benefits that are exempt from FBT
- Using employee contributions

Fringe Benefits Tax is always paid by the employer, not the employee.

FBT – Home phone and internet expenses

It's quite common for employers to pay a third party or reimburse their employees for home phone and internet costs. This may result in an expense payment fringe benefit.

Working out the taxable value of the fringe benefit will depend on both:

- The amount you pay a third party or reimburse your employee
- The percentage of the business use of the phone and internet the employee would otherwise be entitled to claim as an income tax deduction.

There are different substantiation requirements depending on the amount you pay or reimburse your employee for home or internet costs during the fringe benefits tax year.

Where the payment or reimbursement of home phone or internet costs:

- Is up to \$50
 - limited documentation needs to be retained by the employment and expenses incurred by the employee
 - your employee will need to provide a declaration to you detailing the percentage of business use
- Exceeds \$50
 - you and your employee must keep records of the actual expenses
 - your employee will need to provide a declaration to you detailing the percentage of business use and the purpose of incurring the expense.

Taxi travel expenses exemption

Any benefit arising from taxi travel by an employee is exempt from fringe benefits tax if the travel is a single trip beginning or ending at the employee's place of work.

Any benefit arising from taxi travel by an employee is also an exempt benefit if the travel is both:

- a result of sickness of , or injury to, the employee
- the whole or part of the journey directly between any of the following:
 - the employee's place of work
 - the employee's place of residence
 - any other place that it is necessary, or appropriate, for the employee to go as a result of the sickness or injury.

Please note – Uber and other ride sharing services do not count as taxi's for this. For these trips, you need to keep actual records.

The FBT rate is as follows:

47% 1 April 2014 – 31 March 2015	49% 1 April 2016 – 31 March 2017
49% 1 April 2015 - 31 March 2016	47% 1 April 2017 – 31 March 2018
47% 1 April 2018 – 31 March 2019	47% 1 April 2019 – 31 March 2020

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.

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