

FRINGE BENEFITS TAX ("FBT") INCOME STATEMENT (FORMERLY PAYG PAYMENT SUMMARY) REPORTING OBLIGATIONS 31 MARCH 2025⁴

Introduction

All employers, including rebatable and FBT exempt employers, are required to keep records that identify the value of certain fringe benefits provided to each employee during an FBT year. Where the value of these benefits exceeds \$2,000 this amount must be included as a "reportable fringe benefits amount" on the employee's income statement for the corresponding income year.

The value of most fringe benefits provided during the **2025⁴** FBT year must therefore be recorded on the employee's income statements for the year ending **30 June 2025⁴**.

Reason for this reporting

The purpose of recording this information on each employee's income statement is to ensure that the reportable fringe benefits amount is taken into account in various income tests used by the ATO and other Government agencies (e.g. Centrelink). The results of these income tests are then used to determine an individual's liability for certain surcharges and other obligations. Examples of where these amounts will be taken into account include:

- Entitlement to deductions for personal superannuation contributions;
- Entitlement to government superannuation co-contributions;
- Entitlement to rebates for spouse superannuation contributions;
- Liability for the Medicare levy surcharge;
- To determine whether a taxpayer has exceeded various HECS or HELP repayment thresholds;
- Determining access to certain government benefits; and
- Determining liability for child support obligations.

The amount recorded as a reportable fringe benefit on the employee's income statement will not be included as assessable income in the employee's personal income tax return. It does however need to be reported on that tax return.

What benefits are excluded from reporting obligations?

Certain fringe benefits are excluded from these reporting obligations. Excluded benefits are:

- **non-salary-packaged** meal entertainment
- car parking
- pooled and shared cars
- remote area benefits
- emergency overseas health care
- **non-salary-packaged** Entertainment facility leasing expenses ("EFLEs")
- overseas living allowance
- benefits to defence force members
- car benefit to emergency services
- private use of unmarked police car
- other benefits provided to police officers
- Security related benefits

In addition, the value of exempt benefits, fringe benefits that have a nil taxable value due to an employee contribution, minor benefits of less than \$300 (depending on the valuation method used) and benefits which are otherwise deductible are not included on employees' income statements.

Please remember that any **salary packaged** meal entertainment and/or EFLEs is a reportable benefit as are electric vehicle discounts.

How the reportable fringe benefit amount is calculated.

1. Employers calculate their annual FBT liability.
2. Break down the value of these fringe benefits by employee, excluding exempt benefits as listed above.
3. Where the value of these individual benefits is \$2,000 or less no amount is to be included on the employee's income statement.
4. Where the value of these individual benefits exceeds \$2,000 an amount must be included as an information item on the employee's income statement.
5. The amount to be included on the employee's income statement is the "grossed up taxable value" of the fringe benefit received. The fringe benefit must be grossed up to take into account both:
 - a) the value of the benefit provided; plus
 - b) the value of the tax saved by the employee by choosing to receive a fringe benefit rather than salary. The legislation assumes that the tax saved by the employee is at the top marginal tax rate plus Medicare levy, being 47%.
6. The calculation required to reflect the reportable fringe benefit amount gross up is:

Individual fringe benefit amount divided by (1 - the FBT rate)

Example

Value of car benefit provided during year ended 31 March 2025	\$10,000
FBT rate	47.00%
Amount to be included on income statement	= \$10,000/(1 - 0.47)
	= \$10,000/.53
	= \$18,867

or, had an employee earned a salary of \$18,867 and paid tax at 47%, they would be left with \$10,000 after tax, being equal to the value of the fringe benefit received.

FBT Year vs Financial Year

The FBT year commences on 1 April and ends on 31 March. The financial year, on which income statements are issued, commences on 1 July and ends on 30 June.

The amount that must be included on an employee's income statement is based on the value of fringe benefits provided during the current FBT year. Therefore, the value of benefits provided during the FBT year ended **31 March 2025** are to be included on the employee's income statement for the year ended **30 June 2025** as part of the Single Touch Payroll Finalisation Report, if not reported throughout the year.

Employees Ceasing Employment During the Year

Where an employee ceases employment during the year there is no requirement to pro-rata downwards the annual \$2,000 fringe benefit limit.

If an employee ceases employment between 1 April and 30 June and has been provided with a fringe benefit in excess of \$2,000 during that period the employer is required to issue them an income statement reporting the reportable fringe benefits amount for that period. For example, if an employee were to resign on **31 May 2025**, their employer is required to issue an income statement for the financial year ending **30 June 2025** which is to include the value of the reportable fringe benefits provided during the period **1 April 2025 to 31 March 2025**.

This income statement will not be issued until the end of the financial year to which it relates, and the departing employee no longer has the legal ability to request their former employer to provide them with an income statement within two weeks of their departure. We recommend that, as a standard termination procedure, employers obtain relevant FBT declarations and motor vehicle readings prior to the final termination payment being released.



Shared Benefits

In the event that a particular benefit is shared between two or more employees (other than a pooled or shared car which is exempt from reportable fringe benefits reporting), the amount must be allocated between the employees so as to reasonably reflect their share of the benefit.

We recommend that you obtain agreement from your employees at this time on a suitable method of apportionment. This will help avoid disputes when the value of the fringe benefit ultimately appears on the employees' income statements.

Accounting to Employees

We recommend that employers provide an annual reconciliation of the "reportable fringe benefits amount" to their employees. This reconciliation would include the following items:

- The income year (e.g. year ended **30 June 2025**);
- The FBT year (e.g. year ended **31 March 2025**);
- The number of days the benefit was provided (e.g. pro-rata or full year);
- The type of benefits provided (e.g. car, expense payment);
- Calculation of non-grossed up taxable value by benefit type;
- Total non-grossed up taxable value; and
- Total reportable fringe benefits (grossed up value).

This procedure will help reduce the likelihood of undetected errors in the value of the reportable fringe benefits amount attributed to individual employees. This is important because the effect of understating a FBT liability not only has consequences for the employer in the form of exposing them to additional tax, fines or penalties, but also potentially exposes the employee, who has inadvertently understated the reportable fringe benefits amount on their income statement, to similar penalties. It is for this reason that particular care must be taken in the valuation of fringe benefits provided during the year ended **31 March 2025** and in the allocation of these benefits to individual employees.

Disclaimer

The above summary is intended to provide clients of StewartBrown with a brief overview of their income statement reporting obligations in respect of reportable fringe benefits and should not be used as a substitute for specific taxation advice. If you have any queries regarding your reporting obligations and record keeping requirements as an employer please contact one of the Managers or Partners at StewartBrown to clarify the matter.