

FRINGE BENEFITS TAX ("FBT") SUMMARY OF TAXABLE BENEFITS TYPICALLY PROVIDED 31 MARCH 2025

The purpose of the following summary is to highlight the most common types of taxable fringe benefits provided by employers to their employees (or to an associate of an employee) in order to assist our clients in determining whether they may have incurred a FBT liability.

As you would appreciate, the FBT rules are complex, and consequently this summary is not intended to be all-encompassing and has been simplified in the interests of readability. If you are in any doubt as to whether you are providing a taxable fringe benefit, please contact one of the Managers or Partners of StewartBrown to clarify the matter.

1. CAR BENEFITS

When does a car benefit arise?

A car benefit arises when a vehicle is owned, leased (including a novated lease) or otherwise made available by an employer for the private use of an employee or an associate of the employee.

A car for FBT purposes is defined as:

- a motor vehicle (including a four-wheel drive), station wagon, panel van, utility (ute) or similar vehicle designed to carry a load of less than one tonne; or
- any other road vehicle designed to carry a load of less than one tonne or fewer than nine passengers.

A motorcycle is not regarded as a car for FBT purposes.

A vehicle not meeting the above definition can still give rise to a FBT liability where it is provided to the employee for private use other than work related travel or minor, infrequent or irregular use.

A car is deemed to be available for the private use of an employee on any day when:

- it is actually used for private purposes by the employee;
- it is garaged at or near the employee's residence; or
- it is not at the employer's premises and the employee has the use, custody and control of the car.

How is the value of a car benefit determined?

The taxable value of car benefits can be calculated using either of two available methods: the statutory formula method or the operating cost method.

The record keeping requirements are less onerous under the statutory formula method, which is the major reason why over 70% of all car benefits are calculated on this basis. Under this method the taxable value is calculated using the base value (including any GST) of the car multiplied by the "statutory fraction" which is now set at 20%.

The disadvantage of using the statutory formula method is that, in certain cases where the business use is high, it results in a higher FBT liability when compared to the liability calculated using the operating cost method.

Under the operating cost method, the taxable value of the car benefit is calculated by multiplying the GST inclusive operating costs of the car by the private use percentage of the car. This private use percentage is calculated primarily by reference to a properly maintained logbook, as well as to odometer and car records, and after having regard to variations in the pattern of business usage throughout the year.

Factors that may influence the private use include holidays, seasonal fluctuations and variation in employment duties. Operating costs typically include petrol, insurance, registration, repairs, service, depreciation and imputed interest (if owned) and lease payments (if leased).

For a car benefit to be calculated using this method it is imperative that a logbook be maintained strictly in accordance with the requirements under the FBT Act. Failure to maintain a complying logbook will result in the business use percentage being treated as 'nil'. In this case the taxable value will be either 100% of the operating costs of the car for the year or the value which would have applied had the statutory formula method been adopted, whichever results in the lower taxable value.

Logbook requirements

For the first year in which the operating cost method is used a logbook recording each business journey must be kept for a minimum continuous period of at least 12 weeks at any time in the year. The 12-week period may overlap two tax years. Odometer records must also be kept showing the odometer reading of the car at the beginning and end of the 12-week period.

The logbook must include for each business trip:

- (i) the date the trip began and ended; and
- (ii) odometer readings at the start and end of the trip; and
- (iii) kilometres travelled on the journey; and
- (iv) the purpose of the trip.

The record must be made at the end of the trip or as soon as possible afterwards and must be kept in English. The logbook can also be kept electronically via a spreadsheet. Where two or more business journeys are made consecutively during the one day, only one logbook entry for that day is required.

In addition, the logbook must contain the following information:

- (i) when the 12-week period began and ended; and
- (ii) odometer readings at the beginning and end of the period; and
- (iii) total number of kilometres travelled during the period; and
- (iv) total number of business kilometres travelled during the period on trips recorded in the logbook; and
- (v) percentage of business kilometres to total kilometres.

These records must also contain details of the make, model, registration number and engine capacity of the car.

Generally, a new logbook will not have to be prepared until five years has passed, unless specific rules require a new logbook to be kept earlier. However, odometer records must be kept at the beginning and end of each FBT year to establish total kilometres travelled in the car during each year, as well as to record the estimate of business kilometres and the business use percentage for each year.

We recommend that any client who is utilising an existing logbook review it for completeness. For those clients who are required to complete a new logbook we advise that pro-forma logbooks can be obtained from our office or from most newsagencies or stationers. The ATO also has approved Apps that you can use on your phone or other digital device.

Electric vehicle discount

There is an FBT exemption for electric cars (and their associated running expenses) that are used or made available to employees for private use, provided the relevant requirements are met.

To be eligible for the FBT exemption:



- The employee receiving the benefit must be a current employee
- The car is a zero or low emission vehicle
- The value of the car at first retail sale must be less than the Luxury Car Threshold for fuel efficient vehicles (\$91,387 for 2024-2025)
- The car must be first held for use on or after 1 July 2022

Vehicles meeting the definition of a car are classified as zero or low emission if they are:

- Battery electric vehicles
- Hydrogen fuel cell electric vehicles
- Plug-in hybrid electric vehicles (only until 31 March 2025)

Eligible cars ordered prior to 1 July 2022 but delivered after that date and second hand eligible cars first purchased new on or after 1 July 2022 will qualify for the exemption.

It should be noted that even though these benefits will be exempt from FBT, they will still need to be reported on the employees Income Statements as reportable fringe benefit amounts. The taxable value will need to be calculated as though the exemption did not apply.

From 1 April 2025, plug-in hybrid electric vehicles (PHEVs) will no longer qualify for the FBT exemption. Businesses that already have a financially binding commitment in place before this date—such as a purchase or lease agreement—will still be able to apply for the exemption, provided there are no changes to the arrangement. Any new commitments or modifications to existing leases after 1 April 2025 will result in the loss of the exemption, making the vehicle subject to FBT.

2. MEAL ENTERTAINMENT BENEFITS

A meal entertainment fringe benefit generally arises where an employer provides a fringe benefit to an employee by way of:

- provision of food or drink;
- travel or accommodation in respect of such entertainment; or
- the reimbursement or payment of expenses incurred in providing the above.

FBT is only payable on the portion of the meal that relates to employees and their associates. The portion relating to non-employees is not subject to FBT but is not tax deductible. GST input tax credits can be claimed in respect of the employee related expenditure only, with the non-employee GST component being treated as a non-tax deductible expense. The FBT taxable value is the GST inclusive value.

As **non-salary sacrificed** meal entertainment often covers both employees and non-employees, the employer is given a choice of three methods in determining the allocation between these two groups, as follows:

- 50/50 split method – FBT is only payable on 50% of the employer’s total meal entertainment expenditure irrespective of who is being entertained. The advantage of this method is that it is simpler to use and may reduce compliance costs. The disadvantages of this method are that **NO** FBT exemptions apply (e.g. the minor benefit exemption and the property benefit exemption) and if the actual non-employee portion exceeds 50% employers will pay approximately 30% extra FBT for each \$1 of non-deductible client entertainment;
- Twelve week register method - a register is maintained for a continuous twelve week period to determine an indicative allocation between employee and non-employee entertainment, which is then applied to the year’s total meal entertainment. This register, subject to certain qualifications, can be used annually up to a maximum of five years. If the total meal entertainment expenditure in an FBT year increases by more than 20% over the previous year the register can no longer be used and a new register must be maintained; or

- if no election is made to adopt either of the above methods the actual expenditure method must be used. This will require an analysis of all meal entertainment, dissecting each item of expenditure between employees and non-employees. The major disadvantage of this method is that it is time consuming and may result in additional compliance costs. A register with an identity of the attendees must be maintained to justify the calculations under this method.

Clients should also note that meals consumed by travelling employees (away overnight on business) are generally regarded as sustenance, not entertainment, and remain tax deductible and are not subject to FBT. It is crucial however to correctly identify what is 'entertainment' as the income tax, FBT and GST implications of incurring non-entertainment expenditure are very different.

All FBT-taxable employers are required to value **all salary-packaged meal entertainment** and Entertainment facility leasing expenses ("EFLEs") benefits under the **actual method** only. As such, the 50/50 split and twelve week register method are not available for use when valuing these benefits that are provided under a salary-packaging arrangement.

Employers who allow employees to salary-package meal entertainment or EFLEs will need to follow the three steps below when calculating their FBT liability for these types of benefits for the **2025** FBT year:

- Step 1: Calculate any FBT payable on non-salary-packaged meal entertainment
- Step 2: Calculate any FBT payable on non-salary-packaged EFLEs
- Step 3: Calculate any FBT payable with respect to salary-packaged meal entertainment or EFLEs (under the actual method)

It is also important to note that employers who provide employees with salary-packaged meal entertainment or EFLEs will generally be **unable to apply the minor benefit exemption** under S.58P of *Fringe Benefits Tax Assessment Act 1986*.

OTHER ENTERTAINMENT BENEFITS AND CORPORATE SPONSORSHIPS

Many corporate sponsorships are simply treated by businesses as legitimate advertising expenditure, where the expenses are claimed as being fully tax deductible for income tax purposes and not subject to FBT. However, many of the 'non-advertising benefits' that are a part of sponsorship contracts and are passed onto employees (or associates) can be entertainment in nature and may give rise to an FBT liability.

Other entertainment benefits (e.g. provision of sporting and theatrical tickets) provided to employees or their associates are generally subject to FBT. The taxable value of such benefits must be calculated using the actual expenditure method.

3. CAR PARKING BENEFITS

Car parking facilities provided to an employee may give rise to a car parking benefit. However, benefits provided by certain not-for-profit bodies such as religious, charitable, scientific or public educational institutions are exempt from FBT. In addition, a limited exemption for certain car parking provided by small businesses is also available where:

- the parking spaces are provided on the employer's premises, which is not a commercial car parking station; and
- either the gross income of the business was less than \$50 million or the business was an eligible small business entity (SBE) in the last income year before the FBT year.

The exemption is not available to:

- a public company nor a subsidiary of a public company on the day on which the benefit is provided; or
- a government body, e.g. government departments or agencies.



Should the above exemption criteria not be satisfied a car parking benefit may arise when the employer provides car parking facilities for the employee.

For a parking benefit to arise all the following specific tests must be met:

- the car is parked on or at the business premises of the employer;
- a commercial car parking station is located within a 1km radius of the premises;
- the total duration of the period or periods parked exceeds four hours between 7am and 7pm on a particular day;
- the car is owned, leased or otherwise under the control of the employee or it is provided by the employer;
- the parking is provided in respect of the employee's employment;
- the car is parked at, or in the vicinity of, the primary place of the employee's employment on that day;
- the car is, on the relevant day, used in connection with home to work travel of the employee; and
- the lowest fee charged by the operator of any such commercial parking station in the ordinary course of business to members of the public for all day parking on any day during the FBT year is more than **\$10.77**.

Clients should also note that the reimbursement of car parking costs incurred by an employee personally is not an exempt fringe benefit. Such reimbursements are treated as expense payment fringe benefits.

The various methods of calculating the taxable value of parking benefits can be obtained from StewartBrown if such benefits have been provided.

The ATO's view of what is a commercial car parking facility has been widened in recent years (since 2022) to include hospital, university, airport and shopping centre car parks.

4. LOAN BENEFITS

A loan fringe benefit generally exists where an employee enjoys a low (or no) interest loan provided by the employer in respect of the employee's employment. A low rate of interest is one which is less than the prescribed statutory rate of interest (**8.77% per annum for the year ending 31 March 2025, up from 7.77% last year**).

A loan includes an advance of money, the provision of credit, the payment of an amount on account of the employee where there is some sort of obligation for repayment, or any other transaction that in substance affects a loan.

The taxable value of a loan benefit is the difference between the notional amount of interest calculated at the statutory rate of **8.77%** per annum for the year ending **31 March 2025** and any interest actually charged or accrued, calculated on the daily balance of the loan.

Where the employee uses all or part of the loan for income producing purposes the taxable value of the loan benefit may be reduced.

As a general principle, loans should not be made by a private company to an employee (or their associates) who is also a shareholder of the company. New loans to such employees from 4 December 1997 are not subject to the FBT rules. Rather, such loans may automatically be deemed to be unfranked dividends paid to the shareholder/employee, unless certain strict repayment criteria and documentation requirements are satisfied. Extreme caution must be exercised when a private company intends to advance monies to, or pay expenses on behalf of, its shareholders.

5. DEBT WAIVER FRINGE BENEFITS



A debt waiver fringe benefit arises when the employer forgives an employee's debt to the employer. Any amount written off as a genuine bad debt is not a taxable fringe benefit.

6. EXPENSE PAYMENT BENEFITS

An expense payment fringe benefit arises when the employer pays or reimburses expenses incurred by an employee, e.g. personal subscriptions, school fees, mortgage repayments, telephone expenses etc.

The taxable value of the expense payment benefit is generally the amount of the expenditure incurred by the employee which is paid or reimbursed by the employer.

The taxable value of this benefit will be reduced where the employee could have obtained a once-off income tax deduction in the year the expenditure was incurred had they personally paid the outgoing. Any such reduction should be supported by an appropriate declaration from the employee, along with the basis of the reduction and the relevant documentary evidence.

7. PROPERTY BENEFITS

A property benefit arises where an employer or an associate of the employer provides property to an employee or an associate of the employee free or at a discount. For FBT purposes property includes goods and services, real property, shares etc.

The taxable value of property benefits depends on whether the benefits provided are "in-house" (e.g. where the property is of a sort normally sold by the employer) or general property benefits.

The method of calculating each type of property benefit can be obtained from StewartBrown, if such benefits are provided.

8. BENEFITS PROVIDED BY ASSOCIATES OR THIRD PARTIES

A taxable fringe benefit can arise even if the employer does not provide the benefit directly to their employee but rather through an associate or a third party. A benefit provided by an associate of the employer is subject to FBT in the same manner as if the employer had provided the benefit themselves.

Similarly, a benefit provided by a third party under an arrangement with the employer is taxable if the employer knew or ought reasonably to have known that the third party was doing so because there was an arrangement between the employer and the arranger or because the employer participated in or facilitated the provision of the benefit.

9. OTHER SPECIFIC BENEFITS

Below are a number of other specific benefits less frequently provided by employers. Further details on the method of benefit calculation and record keeping requirements can be obtained from this office if relevant:

- Housing fringe benefits; or
- Living away from home allowances; or
- Airline transport benefits; or
- Board benefits.

10. RESIDUAL BENEFITS

A residual fringe benefit is any fringe benefit not covered by any other specific fringe benefit rules. The only criteria for such a benefit are that there must be some item that can be identified as a benefit, and that the necessary employment relationship exists.



Examples of residual benefits include motor vehicles other than cars, a computer located at the employee's premises that has some private usage, travel, performance of professional work or the provision of insurance coverage.

EXEMPT BENEFITS

Employers can provide certain work-related items to employees without attracting an FBT liability, including:

Mobile phones

Private use of mobile phones by employees (not associates) is exempt from FBT where the phone has been provided primarily for use in the employee's employment. In determining whether the provision of a mobile phone meets this criteria it is necessary to consider the nature of the ongoing actual use of the phone, using the following guidelines:

- The reason the phone was provided to the employee;
- How the use of the phone relates to the employee's employment duties;
- The type of work performed by the employee;
- The employers' private use policy; and
- The percentage of business and private use of the phone.

Where the phone is deemed not to have been provided primarily for use in the employee's employment, FBT will be payable on the private usage, as determined by reference to a logbook of usage over a minimum of one continuous month per year.

Portable electronic devices

A portable electronic device has the following characteristics:

- easily portable and designed for use outside an office environment;
- small and light and operated without an external power supply; and
- designed as a complete unit.

This includes tablets, mobile phones, PDA's, notebooks/laptops, portable printers and other technological devices such as GPS navigation receivers.

All eligible work-related items acquired must satisfy the "work use" test. This test requires the item to be primarily used in the employee's employment before they can qualify for the exemption.

The FBT exemption is currently limited to one item per employee per FBT year for items with substantially identical functions (but see SBE exemption below). An exception to this restriction is if the original item purchased during this FBT year is replaced due to the item being lost, stolen or destroyed, or needs updating due to recent developments in technology. In this instance, the exemption will apply to both items.

For small business entities ("SBE") an FBT exemption is granted for multiple portable electronic devices provided to the same employee, even if those devices have substantially identical functions. (Generally speaking, to qualify as a SBE, the employer must have a turnover of less than \$50m).

Taxi travel

Taxi travel paid by an employer for an employee is an exempt benefit if that travel is a single trip which either begins or ends at the employee's place of work and is infrequent or irregular. The exemption now also applies to ride-sharing services (e.g. Uber etc.). The **minor benefit exemption** may still apply to avoid any FBT liability.

Long service award benefits

A long service award benefit (e.g. watch, pen, jewellery, gift voucher) provided to an employee with over 15 years of service is exempt from FBT, up to the threshold amount. The threshold amounts for the year ending



31 March 2025 are \$1,000 for the first 15 years of service and \$100 for each additional year of service. For example, if an employee with 20 years service is provided with a watch up to the value of \$1,500 (including GST), the benefit would be exempt from FBT. However, if the cost of the benefit exceeds \$1,500, the entire amount is subject to FBT.

Other exempt benefits

Examples include a briefcase, calculator, tools of trade, computer software or items of protective clothing where the “work use” test is satisfied. An exemption also applies for the first \$1,000 of in-house benefits (i.e. benefits where the goods are sold by the employer in their ordinary course of business) excluding those that are salary packaged.

Exemptions are also available on the relocation of employees and the provision of minor or infrequent benefits which are less than \$300 in value (depending on the valuation method used).

SUMMARY

The purpose of the above summary is to highlight the most common types of fringe benefits provided by employers and to assist our clients in determining whether they may be providing taxable fringe benefits. This summary is not to be used as a substitute for specific taxation advice.

The record keeping requirements in respect of the various types of benefits can be onerous, however it is imperative that such records be maintained. The ATO undertakes continuous audit programs and has devoted more time and money in recent years to specifically target employers not meeting FBT guidelines.

Various types of benefits require specific documentary evidence. When we prepare your FBT return we will assist you with the preparation of the relevant elections/declarations.

Given the complexities of the legislation it is not possible to cover all aspects of FBT in this summary. If you have any queries in respect of any matters discussed above, or if you are in any doubt as to whether you may be providing a taxable fringe benefit, please contact one of the Managers or Partners at StewartBrown to clarify the matter.



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