

CLIENT NEWSLETTER
FRINGE BENEFITS TAX ("FBT") UPDATES - 31 MARCH 2025

INTRODUCTION

There have been only a few small changes in the FBT legislation this year, which are summarised below.

2025 FBT YEAR – RATES AND THRESHOLDS

	2025 rates	2024 rates
FBT rate	47%	47%
Gross up rates -Type 1	2.0802	2.0802
-Type 2	1.8868	1.8868
Interest rate on loan fringe benefits	8.77	7.77%
Car parking benefit threshold	\$10.77/day	\$10.40/day

2025 Living Away from Home Allowances:

ATO guidelines (excerpt) for reasonable food and drink-within Australia

	\$ Per week
One adult	331
Two adults	497
Three adults	663
One adult and one child	414
Two adults and one child	580
Two adults and two children	663

ELECTRIC VEHICLE DISCOUNT

From 2024 onwards, there were major changes to electric vehicle discounts, which provide 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 2024-25)
- The car must be first held for use on or after 1 July 2022

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.

CHANGES TO FRINGE BENEFITS TAX RECORD KEEPING

The government previously announced a proposal to provide the Commissioner of Taxation with the power to allow employers to rely on alternative records to finalise their fringe benefits tax (FBT) returns. This measure is now law. It applies to the 2025 FBT year (1 April 2024 to 31 March 2025) and onwards. For certain benefits, employers will have a choice to use existing records in place of travel diaries or employee declarations. This will only apply if the Commissioner has made a legislative instrument prescribing the alternative records.

If an employer chooses to use alternative records, the information they are required to keep to support their FBT return remains unchanged, under FBT law.

WHAT ATTRACTS THE ATO'S ATTENTION

Employers who do not keep appropriate records to confirm their FBT position attract the attention of the ATO, as do those who do not lodge FBT returns or pay FBT by the due date.

Common errors

Motor vehicles is the most common area in which the ATO sees errors, including:

- incorrect classification of vehicles as cars
- not keeping appropriate records, eg valid logbooks, and
- providing employees with motor vehicles for private use but treating them as 100% business use.

Other areas where the ATO commonly sees errors in reporting are:

- Employee contributions -
Where employee contributions are not reported correctly, ie not reported or reported at the wrong label. Also, where employers incorrectly apply employee contributions.
- Reportable fringe benefits amounts -
Where amounts are not included or are reported incorrectly, eg where employers do not include the amount on the employee's annual income statement but include it in the FBT return, or vice versa.
- Consolidated FBT returns -
Where employers that are part of a larger consolidated group only lodge one FBT return. The obligation is to lodge one FBT return per employer.

Where an employer becomes aware that a mistake has been made in reporting, prompt action in contacting the ATO may avoid or minimise any penalties that may be imposed.

OTHER UPDATES & CONSIDERATIONS

Guidelines for Exempt Vehicle Benefits (i.e. commercial vehicles)



Many employers incorrectly believe that there is no FBT liability to consider for commercial vehicles (e.g. panel vans, utility or other commercial vehicles not designed principally to carry passengers). This is not the case.

The ATO guidelines state that private use of these vehicles must be restricted to travel between home and work (and back) and that any diversion in travel must add no more than 2km's to the journey (e.g. picking up kids from school etc). In addition, the vehicle must not travel more than 1,000kms per year (previously 750km) in private usage (e.g. holidays) and no single journey for private purposes can exceed 200km's. If the vehicles private usage exceeds these guidelines an FBT liability may arise.

If you have provided commercial vehicles to employees we strongly encourage you to speak with us concerning your potential FBT liability for these vehicles.

Audit Spotlight

The latest ATO statistics estimates that there is an annual FBT tax gap of over 1 billion dollars, being the difference between the amount expected to be collected and the amount actually collected. The ATO have officially confirmed they will be focusing on the following areas:

- Documentation and declarations – ensuring their completeness & validity
- Car parking benefits
- Car benefits especially calculation of taxable benefits and exemption entitlements
- Expense payment benefits
- Employers providing entertainment to employees and claiming deductions in tax returns for entertainment expenses without reporting and paying FBT

