

Fringe Benefits Tax

What is the Fringe Benefits Tax (FBT)?

The Fringe Benefits Tax (FBT) is a tax that an employer pays on benefits that are provided to an employee or an employee's associate such as family or friends. The benefit is usually a non-cash benefit.

Fringe Benefits Tax is separate from income tax. It is calculated on the taxable value of the benefit that you provide.

The FBT year is 1st of April to 31st Of March, and it can be paid quarterly or yearly.

What is a Fringe Benefit?

A fringe benefit can be rights, services or privileges that an employer provides.

Some examples of fringe benefits provided are:

- When an employee is allowed to use a company car for private purposes
- When an employee is given a home loan at a lower interest rate
- The employer reimburses an expense paid by an employee such as school fees
- An employer provides entertainment by way of food, drink or recreation

How is the Fringe Benefits Tax Calculated?

The FBT is calculated on the gross value of the benefit minus any contributions that the employee has made. The FBT is charged at the highest rate, which is 45% plus 1.5% Medicare Levy, which totals 46.5%.

Types of Fringe Benefits

Employers can provide many different types of benefits to employees where FBT may apply.

FBT on Cars

If an employee owns many/leases a car and makes that car available for private use to an employee, then the employer may have to pay FBT on that car. Travelling to and from work is considered as private use of the car.

FBT on Loans

If an employer provides a loan to an employee and does not charge interest or charges a very low interest rate, then the employer may have to pay loan Fringe Benefits Tax.

The low interest rate will have to be less than the statutory rate of interest that is published by the ATO.

The statutory interest rate is:

31 March 2012: 7.8%

31 March 2011: 6.65%

Last Modified Wednesday, 1 June 2011

(Source ATO website)

FBT on Waiving Debt

A debt waiver FBT is paid if an employer waives or forgives an employee's debt.

FBT on Housing or Board

A housing FBT may apply if an employee is provided free accommodation in which to live or pays rent at a reduced rate and that accommodation is the usual place where they live.

If an employer provides accommodation and there is an entitlement to at least 2 meals a day, then FBT on Meals may have to be paid.

Fringe Benefits Tax continued

FBT on Airline Transport

An FBT may apply when an airline or travel agent gives their employees free or discounted travel on a standby basis.

FBT on Living Away From Home Allowance Expenses

FBT may apply on additional expenses incurred because the employee is required to temporarily live away from their usual place of residence.

FBT on Providing Entertainment

FBT may be paid when providing entertainment by food, drink or recreation.

- The cost of theatre tickets purchased by your employee and you reimburse them
- A property fringe benefit, for example providing food and drink
- A residual fringe benefit, for example, providing accommodation or transport in connection with such entertainment, or
- A tax-exempt body entertainment fringe benefit (only if you are exempt from income tax).

FBT on Property

FBT on property may apply when an employer provides property for free or at a discounted rate to an employee.

For FBT purposes, property includes:

- All goods, for example, items of clothing or a cylinder of heating gas
- Real property, for example, land and buildings
- Other property, for example, shares or bonds

Residual Fringe Benefit

A fringe benefit that is not in any of the above is a Residual Benefit. It arises when you provide an employee a right such as a privilege, service or facility.

Examples of Residual Fringe Benefits are:

- The use of an employer's property, for example a video camera or television
- Provision of a service, for example, advice given by a solicitor

Private use of a motor vehicle that is not a car for FBT purposes, for example a one tonne utility

Note: The information provided in this document is general in nature and anyone intending to apply it to practical circumstances should seek professional advice to relate it to their own individual circumstances.

For more specific information on how the Fringe Benefits Tax may affect you, please call us at:

Tax Matters & Business Affairs Pty Ltd on **03 9416 1679** or email **info@taxmatters.net.au**