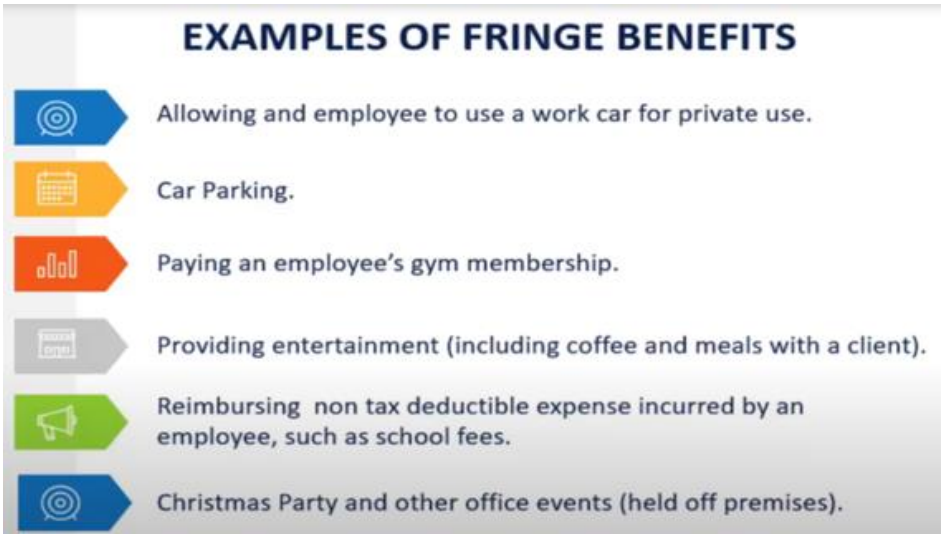
Fringe Benefits Tax

Fringe Benefits Tax is the tax employers pay on certain benefits they provide to their employees, in addition to the part of their salary or wages package. FBT was first introduced in 1986.

- **FBT** is the responsibility and obligation of the employer and paid by the employer.
- The **FBT** year is the 12 months beginning 1 April and ending 31 March.
- Directors of companies (and their associated people) are considered employees for **FBT** purposes.
- Generally, employers may claim as income tax deductions the cost of providing fringe benefits and the amount of **FBT** paid.
- FBT rate for the FBT year ending 31 March 2021, 2022, 2023, 2024 and 2025 is **47%.**
- The due dates this year for lodgement and payment are:
  21 May 2024 for employers and tax agents who lodge by paper, or
  25 June 2024 for tax agents who lodge electronically.

The below are the examples of Fringe Benefits provided by employers to employees and their associates.



The employers do not pay **FBT** when they host a Christmas party for the current employees

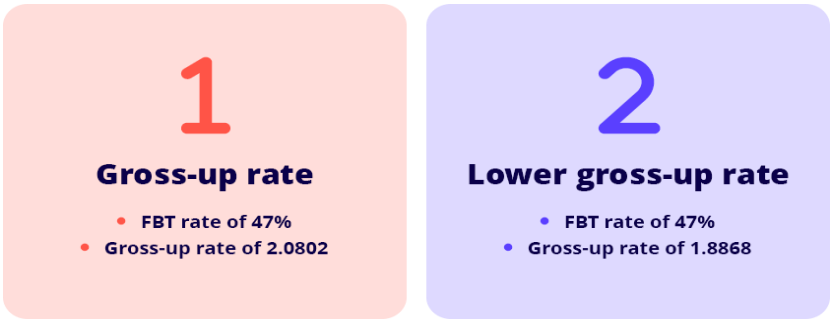
- On your business premises
- On a workday and
- Provide food and drink only or keep the cost of the party below $300 per employee.
- And certain conditions are met.

How to calculate FBT ?

Step 1 - Work out the taxable value of each fringe benefit you provide to each employee. The rules for **calculating the taxable value of a fringe benefit vary according to the type of benefit.**

Step 2 - Work out the **total taxable value** of all the fringe benefits you provide for which you can claim a GST credit (including excluded fringe benefits).

Step 3 - Work out the **grossed-up taxable value** of these benefits by multiplying the total taxable value of all the fringe benefits you can claim a **GST credit for (from step 2) by the type 1 gross up rate.**



Step 4 - Work out the total taxable value of all those benefits for which you can't claim a GST credit (for example, supplies you made that were either GST-free or input taxed).

Step 5 - Work out the grossed-up taxable value by multiplying the total taxable value of all the fringe benefits you can't claim a GST credit for (from step 4) by **the type 2 gross up rate.**

Step 6 - Add the grossed-up amounts from steps 3 and 5. This is your total **fringe benefits taxable amount.**

Step 7 - Multiply the total fringe benefits taxable amount (from step 6) by the FBT rate. This is the total FBT amount you have to pay.

FBT calculations with Examples

Example 1 GST Free benefit like residential Rent

In case of residential rent paid $5,000 on behalf of an employee in a year.
The **FBT payable would be**: $5,000 X 1.8868 (as there is no GST in residential rent) X 47% = $4,433.98.
The **cost to the business** would be:

- $5,000 in rent to landlord.
- $4,433.98 in FBT payable to the ATO.
- **Total cost to business: $9,433.98.**

Example 2 GST inclusive of benefit – Eg Sony Camera

Applied Education gave Brett Smith a $5,500 Sony Camera in recognition of "Online Course Trainer of the Year Status".
The **FBT payable** would be: $5,500 X 2.0802 (as there was GST in the purchase price) X 47% = **$5,377.32.**
The **cost to the business** would be:

- $5,500 to Camera Shop
- $ GST refund as the business can claim the GST paid on the benefit
- $5,377.32 in FBT payable to the ATO
- **Total Cost to business: $9,488.47**

Most common exempt benefits under FBT

Here's a list of the most common exempt benefits under FBT law in Australia.

1. Certain **work-related items** are exempt from FBT. These include:
    - Portable electronic devices (such as work laptops, tablets, and mobile phones).
    - Tools of trade necessary for carrying out employment duties.

2. **Minor benefits exemption**: The minor benefits exemption applies to certain small benefits provided to employees that are under $300 each.

3. **Taxi, ride-sharing, and public transport exemptions**: Travel by the employees in taxis or ride share services to or from the workplace, or on public transport the employers operate, may be exempt from FBT.

Key things to Remember:

- Identify the **types** of fringe benefits provided.
- Identify the **taxable value**.
- Lodge an FBT return and **report each employee's fringe benefits** on their payment summary.
- To keep records to demonstrate the calculations. The grossed up taxable value that must be included in the calculation of total wages when completing your **Workers Compensation Wages Declaration** for the current year.
- If Payroll tax applicable based on the threshold limit exceeds, that the grossed up taxable value that must be included in the **annual reconciliation of wages** of the employers for the current year.
- Please note an **employee contribution journal** must be entered into the accounting system to reflect this.