

Fringe Benefits Tax (FBT): Are you Liable?

FBT is an area that is easily and commonly misunderstood. If you are still determining whether your business provides fringe benefits to employees, here are some key questions you should ask about employees, directors, or associates (a relative such as a spouse or child):

- Does the business provide entertainment - food, drink, or recreation activities? For example, if you had a Christmas party, then the business probably provided entertainment to employees.
- Are any vehicles owned or leased by the business available for private use?
- Are any salary package (salary sacrifice) arrangements in place?
- Has the business provided goods at a lower price than they are normally sold to the public?
- Does the business provide car parking?
- Does the business provide loans at reduced interest rates?
- Has the business forgiven any debts owed?
- Has the business paid for or reimbursed private expenses?
- Does the business provide accommodation, i.e., a house or unit?
- Does the business provide any living-away-from-home allowances?

Motor vehicles are a common area of confusion. When a motor vehicle owned or leased by the business is used by an employee or director for private purposes (including travelling between home and work), then FBT is often an issue that needs to be managed. There are exemptions that can potentially be available for certain electric cars, as well as commercial vehicles.

Another area for clarification is entertainment. Entertainment can include food, drink, and recreational activities such as movie tickets as well as non-work-based travel. FBT may apply if you provided any entertainment benefits to employees, such as an employee attending a business lunch or party. Entertainment is an area of continued focus for the ATO as the FBT treatment also interacts with the treatment of these expenses for income tax and GST purposes.

What's exempt from FBT?

Certain benefits are excluded from the scope of the FBT rules. The following work-related items are exempt from FBT if they are provided primarily for use in the employee's employment:

- Portable electronic devices (e.g., laptop, iPad, printers, GPS, etc.) that are provided primarily for use in the employee's employment (larger businesses are limited to the purchase or reimbursement of one substantially identical portable electronic device for each employee per FBT year);
- An item of computer software.
- Protective clothing required for the employee's job.
- A briefcase.
- A calculator.
- A 'tool of trade'.

If you have any questions about your FBT requirements, please feel free to [contact us](#). We are here to help.