FBT Checklist 2023

How to use this checklist  
  
This checklist is a summary guide to the procedures and mechanics for preparing the 2023 Fringe Benefits Tax (FBT) return. It cannot cover all potential issues and practitioners are recommended to refer to the relevant legislation or seek specialist advice.

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| --- | --- |
| **Step 1** | Identify the potential areas of expenditure or benefits that may be subject to FBT. (refer to pages 3 to 12 for a checklist of benefits that may give rise to FBT) |
| **Step 2** | Determine what information is required to be extracted from the accounting records.  This depends on:  the category of the benefit (refer to pages 3 to 12 for various categories of benefits)  the method or formula selected (refer to step 3 below). |
| **Step 3** | Choose the formula which gives the most tax effective result for the effort expended. (refer pages 13 to 19 for a list of formulae) |
| **Step 4** | Perform and record calculations. |
| **Step 5** | Ensure that the necessary documentation is kept to substantiate the taxable value of the fringe benefits. Please note that this should also include calculations and recording of benefits that are either exempt or have a nil value (refer page 22). |
| **Step 6** | Compilation of the FBT return. |
| **Step 7** | Consider tax planning opportunities for 2024 FBT year and salary packaging options. (refer pages 26 to 28). |

This information is based on legislation current as at 28 February 2023.

**About the author**This checklist was prepared by Hall Chadwick (NSW) Pty Ltd on behalf of CPA Australia.

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# Checklist of benefits

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Expenditure/benefit | Applicable (Yes/No) Completed date | Work page | Data required | Type of benefit |
| **CARS** | | | | |
| *Benefit arises where:*   * a car is owned or leased by the employer, associate or third party |  |  | **Operating cost method** *(refer formula 1.1)*   * election to use operating cost method evidenced in working papers * log book kept over a continuous 12-week period to establish the business percentage which can then be applied for up to four subsequent years * odometer readings at the beginning and end of the year * car expenses – such as petrol and repairs, registration and insurance * depreciation and imputed interest (where the car is owned) * lease costs (where the car is leased) * employee contributions (if any).   **COVID-19 note:** Adjustments may be available for car usage during COVID-19 affected periods.  **Statutory formula method** *(refer formula 1.2)*   * base value (i.e. cost) of motor vehicle * date of purchase * days available for private use during year * employee contributions (if any) * information regarding pre-existing commitment in relation to motor vehicle. (if pre 7:30 pm AEST 10 May 2011)   **Note:** The statutory formula will apply if the employer does not elect to apply the operating cost method. | Car fringe benefit |
| * is made available to the employee or associate for private purposes |  |  |
| * the car is provided in respect of employment. |  |  |
| Exemptions include:  **New electric vehicle exemption for cars first held and used after 1 July 2022.**   * New car price must be below LCT for fuel efficient vehicles ($84,916 FY23), vehicle considered a “car” for FBT (i.e. carrying capacity of >1 tonne or >9 passengers will not be eligible), applies to zero emissions vehicles including battery electric vehicles, hydrogen fuel cell electric vehicles and plug-in hybrid electric vehicles (PLEV). Re PLEV exemption is available to car first committed to and provided as an exempt benefit before 1 April 2025. * Where conditions are met, FBT exemption will extend to associated car expenses (rego, insurance, R&M, fuel cost). ATO is currently preparing a draft PCG on calculating electricity cost when charging electric vehicles. * The value of the benefit is included in the employees’ reportable fringe benefit amount (**RFBA**) even though its exempt. |  |  |
| * minor, infrequent and irregular non-work-related use by an employee of certain commercial vehicles such as panel vans, taxis or utilities designed to carry a load of less than one tonne |  |  |
| **CARS (CONTINUED)** | | | | |
| * unregistered vehicles and used principally in connection with employer’s business operations. |  |  |  |  |
| *Benefit arises where:*   * car expenses are reimbursed by the employer |  |  | **Reimbursement of employee’s motor vehicle expenses**   * amount of expense * percentage of private use * employee contributions (if any) * declaration regarding no private use, or business use percentage. | Expense payment fringe benefit |
| * the car is owned/leased by the employee/associate |  |  |
| * the benefit is provided in respect of employment. |  |  |
| *Exemptions include:*   * where the employer compensates the employee on a cents per kilometre basis for estimated travel (i.e. the amount of the allowance is assessable income to the employee) * car expenses (i.e. running costs) incurred in relation to the provision of a car fringe benefit valued under the statutory formula method. |  |  |
| *Exemptions include:*   * where the car has not been used for private use. |  |  |  | Expense payment fringe benefit |
| *Taxable value reduced:*   * where the otherwise deductible rule applies (based on car business use declaration). |  |  |  |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Expenditure/benefit | Applicable (Yes/No) Completed date | Work page | | Data required | | | | Type of benefit |
| LOANS | | | | | | | | |
| *Benefit arises where:*   * a loan is provided to an employee or associate |  |  | | **Loan benefit** *(refer formula 2)*   * date the loan commenced * amount of the loan * details of interest rate and payment dates over loan term (if any) * purpose of the loan (i.e. if income producing this will reduce the taxable value of the loan fringe benefit under the otherwise deductible rule) * interest paid by the employee (if any) * balance of the loan during the period * loan fringe benefit declaration required for otherwise deductible rule component and interest rate changed on loan. | | | | Loan fringe benefit |
| * the loan is provided in respect of the employee’s employment. |  |  | |
| *Exemptions include:*   * loans given to an employee solely for the purpose of meeting employment-related expenses which must be incurred within six months of such an advance being made. The loan must be either expended on employment-related expenditure or repaid |  |  | |
| * loans made by a private company to an individual who is both an employee and shareholder (or an associate thereof) which are either Division 7A compliant loans, or loans that will be treated as deemed dividends under Division 7A. |  |  | |
| DEBT WAIVER | | | | | | | | |
| *Benefit arises where:*   * the employer has released the employee or associate from paying an outstanding debt. |  |  | | **Debt waiver benefit**  *(refer formula 3)*   * amount of the debt waived, including any interest accrued * reason for writing off the debt. | | | | Debt waiver benefit |
| *Exemptions include:*   * where the debt owed is written off as a genuine bad debt and it is not waived for employment related reasons * forgiveness of a loan by a private company to an individual who is both an employee and shareholder (or an associate thereof) which will be treated as a deemed dividend under Division 7A. |  |  | |
| HOUSING | | | | | | | | |
| *Benefit arises where:*   * an employee or associate is provided with the right to use or occupy a unit of accommodation by lease or licence |  |  | | **Housing benefit** *(refer formula 4)*   * market value of the right to use the accommodation * days in tenancy period (as right to use or occupy accommodation may not be for a full year) * employee contributions (if any). | | | | Housing fringe benefit |
| * the accommodation is the usual home of the employee or associate. |  |  | |
| *Exemptions include:*   * remote area housing benefit. |  |  | |
| LIVING AWAY FROM HOME ALLOWANCE (LAFHA) | | | | | | | | |
| *Benefit arises where:*   * a living away from home allowance is paid to compensate an employee for additional estimated non-deductible expenses because the employee is required to live away from his or her normal residence in order to perform employment duties * the allowance is paid in relation to the employment of the employee as a living away from home allowance. |  |  | | **Living away from home allowance (LAFHA) benefit** *(refer formula 5)*   * employment contract * amount of the allowance paid detailing the following components:   + accommodation   + additional food   + other incidentals * declarations required on usual place of residence, the requirement to maintain that home and actual address where employee resided (if not a fly-in fly-out or drive-in drive-out employee) * other declarations required on exempt food component and fly-in fly-out or drive-in drive-out employees. | | | | LAFHA benefit |
| *Exemptions include:*   * amount of the allowance which is regarded as constituting reasonable compensation for the accommodation component * amount of the allowance in relation to the reasonable food component. |  |  | |
| From 1 October 2012 LAFHA benefits can only generally be reduced where:   * the employee maintains a home in Australia at which they usually reside for their use at all times (unless the employee is a fly-in fly-out or drive-in drive-out employee) |  |  | |
| **LIVING AWAY FROM HOME ALLOWANCE (LAFHA) (CONTINUED)** | | | | | | | | |
| * the employee substantiates the accommodation and meal expenses * the LAFHA is not paid for a period greater than 12 months (unless the employee is a fly-in fly-out or drive-in drive-out employee). |  |  | |  | | | |  |
| **Note**: Where an allowance (other than a LAFHA) is paid to an employee, rather than the employer paying or reimbursing the expense directly, there will be no fringe benefit. The employee is required to include the allowance as assessable income in their personal tax return. |  |  | | **Other allowances**   * no information is required to be kept for FBT purposes. | | | | No fringe benefit arises |
| TRAVELLING EXPENSES | | | | | | | | |
| *Benefit arises where:*   * expenses of an employee or associate are paid or reimbursed by the employer and are not solely in respect of business travel |  |  | | **Extended travel**  *(refer formula 6)*   * travel diary is required where the travel is either within or outside of Australia for a duration of six or more nights (this is to substantiate the business portion) * receipts for all expenses, except if the amount spent on food, drink and other incidentals is considered reasonable by the Australian Taxation Office (ATO), in which case only documentation in relation to accommodation and airfares is required * declaration may be required. | | | | Expense payment fringe benefit |
| * the benefit is provided in respect of employment. |  |  | |
| *Exemptions include:*   * compassionate travel * certain relocation transport. * COVID-19 related emergency transport |  |  | |
| *Benefit arises where:*   * taxi fare is paid or reimbursed by the employer; and not solely in respect of business travel |  |  | | **Taxis**   * amount of expense * employee contributions (if any).   **Note:** From 1 April 2019, theexemptions available for taxi travel also apply equally for transport for a fare, including travel in a ride-sourcing service, also known as a ride-sharing service. | | | | Expense payment fringe benefit |
| * the benefit is provided in respect of employment. |  |  | |
| *Exemptions include:*   * taxi travel beginning or ending at an employee’s place of work is exempt so long as it is a single trip |  |  | |
| **TRAVELLING EXPENSES (CONTINUED)** | | | | | | | | |
| * the travel is in relation to a sick employee |  |  | |  | | | |  |
| * minor benefit less than $300 (including GST). |  |  | |
| *Benefit arises where:*   * an employee of the travel industry is provided with free or discounted travel on a stand-by basis. |  |  | | **In-House fringe benefit**  *(refer formula 7)*   * purpose of the trip * if domestic travel – the lowest standard single economy fare published by the airline * if international travel – the lowest standard single economy fare published by any carrier in Australia * employee contributions (if any). | | | | In-house property fringe benefit OR in-house residual fringe benefit |
| *Exemptions include:*   * $1,000 exemption applies in respect of the taxable value of in-house benefits provided to each recipient.   **Note:** This exemption does not apply where the in-house fringe benefit is provided under a salary packaging arrangement. |  |  | |
| ENTERTAINMENT EXPENSES - MEAL | | | | | | | | |
| *Benefit arises where there is:*   * entertainment of an employee or an associate by way of food or drink or |  | |  | | **50/50 split method** *(refer formula 8.1)*   * amount of total meal entertainment for all persons (i.e. employees, associates and clients) * document election.   **12-week register method** *(refer formula 8.3)*   * 12-week register which details:   + the date, cost and place of the meal entertainment   + whether the meal is provided to an employee or associate (per head allocation) * document election.   **Actual expenditure method** *(refer commentary section 8.2)*   * amount of expense * employee contributions (if any) | Meal entertainment fringe benefit | | |
| * accommodation or travel in connection with the provision of entertainment by way of food or drink and |  | |  | |
| * the benefit is provided in respect of employment.   *Exemptions for ‘actual expenditure’ incurred in respect of an employee (or associate) include:*   * meals at in-house dining facility to employees who provide services at that facility |  | |  | |
| * morning and afternoon teas and light lunches |  | |  | |
| **ENTERTAINMENT EXPENSES - MEAL (CONTINUED)** | | | | | | | | |
| * meals that are reasonably incidental to the employee attending a seminar of at least four hours duration which is not a business meeting, promotional event or entertainment (e.g. a continuing professional development seminar) |  | |  | | * per head allocation.   **Note:** An election must be made stating which of the above methods has been adopted in respect of meal entertainment. If no election is made the value of the benefit must be determined under the actual expenditure method. The election should be made by the time the employer’s FBT return is due to be lodged. From 1 April 2016, the 50/50 split and the 12-week register methods are not available for any benefit provided under a salary packaging arrangement. |  | | |
| * meals entertainment provided to client. Although there is no FBT payable on meal entertainment provided to clients, an income tax deduction is not allowed to the employer for such costs |  | |  | |
| * meals provided to promote or advertise goods or services which are open to the public |  | |  | |
| * minor entertainment less than $300 (including GST) per head. |  | |  | |
| ENTERTAINMENT EXPENSES - OTHER | | | | | | | | |
| *Benefit arises where there is:*   * entertainment provided by way of food or drink * expenditure is reimbursed by the employer. |  | |  | | **Reimbursement of entertainment expense**   * amount of expense * employee contributions (if any). | Expense payment fringe benefit | | |
| *Exemptions include:*   * entertainment provided to clients * minor entertainment less than $300 (including GST) per employee. |  | |  | |  |  | | |
| *Benefit arises where there is:*   * the provision of recreation, accommodation or travel.   **Note:** The benefit must be provided in respect of employment. |  | |  | | **Tickets to sporting and theatrical events**   * cost of the tickets * employee contributions (if any).   **COVID-19 note:** FBT is not payable where an employer pays non-refundable costs for cancelled events employees were due to attend. | Property, expense payment or residual fringe benefit | | |
| ENTERTAINMENT EXPENSES - OTHER (CONTINUED) | | | | | | | | |
| *Exemptions include:*   * entertainment provided to clients * minor entertainment less than $300 (including GST) per employee. |  | |  | |  |  | | |
| ENTERTAINMENT FACILITY LEASING EXPENSES | | | | | | | | |
| *Benefit arises where the employer hires or leases:*   * a corporate box or * a boat, plane for the purpose of providing entertainment or * another premises or facility, e.g. function room, hotel/motel room, tennis court, golf course for the purpose of providing entertainment.   **Note**: The benefit excludes food and drink provided.  *Reductions available:*   * 5% of a corporate box can be deducted as advertising with remaining 95% regarding as EFLE. Taxpayers can claim a higher deduction where substantiated (TD 92/162). |  | |  | | **50/50 split method** *(refer formula 8.4)*   * amount of total meal entertainment for all persons (i.e. employees, associates and clients) * document election.   **Note**: 50/50 split method cannot be used where EFLE is provided under a salary packaging arrangement or where facility is hired or leased by employee and reimbursed by employer.  **Actual expenditure method** *(refer formula 8.4)*   * amount of expense * employee contributions (if any) * per head allocation. | Expense payment fringe benefit or property fringe benefit or residual fringe benefit | | |
| *Exemptions include:*   * minor entertainment less than $300 (including GST) per head. |  | |  | |  |  | | |
| ENTERTAINMENT PROVIDED BY A TAX-EXEMPT BODY | | | | | | | | |
| *Benefit arises where:*   * the employer is wholly or partially exempt from income tax or does not derive assessable income from the activities to which the entertainment relates.   **Note**: If the entity is a charity, it must be endorsed by the Australian Taxation Office as tax exempt. The benefit must be provided in respect of employment. |  | |  | | **Entertainment benefit**   * amount of expense * employee contributions (if any) * per head allocation. | Tax exempt body entertainment fringe benefit | | |
| **ENTERTAINMENT PROVIDED BY A TAX-EXEMPT BODY (CONTINUED)** | | | | | | | | |
| *Exemptions include:*   * the entertainment provided to employees or associates is incidental to that provided to non-employees * function held on employer’s premises for the purpose of recognising employee achievements. |  | |  | | **COVID-19 note:** For 2022 FBT year **t**he ATO has announced that it will not apply compliance resources to scrutinise salary packaged meal entertainment expenditure where the meals are provided by a supplier that was authorised as a meal entertainment provider. **ATO has made no further announcements re FBT and Covid-19 since 1 April 2022 as of the date of this checklist, and you should assume any concessions granted by the ATO regarding FBT for COVID-19 (such as not applying compliance resources to certain matters) will have no application in the 2023 FBT year unless otherwise announced by the ATO, and the normal rules would apply.** |  | | |
| OTHER EXPENSES PAID ON BEHALF OF THE EMPLOYEE OR ASSOCIATE | | | | | | | | |
| *Benefit arises where:*   * expenses are paid or reimbursed by the employer |  | |  | | **Expense benefit**   * amount of expense * percentage of private use * employee contributions (if any) * declaration may be required.   **COVID-19 note:** Certain administrative concessions are available for support provided by employers in order for employees to work from home as a result of COVID-19.  *(refer Other FBT aspects: COVID-19 and FBT)*  **Support provided by employers for ongoing WFH arrangements** may require a no-private use declaration to be exempt, see [*Fact Sheet for employers: Covid 19 and working from home benefits*](https://www.ato.gov.au/law/view/pdf/afs/afs-wfh-fbt-covid-19.pdf) | | Expense payment fringe benefit | |
| * the benefit is provided in respect of employment. |  | |  | |
| *Exemptions include:*   * the first $1,000 of any in-house benefits   **Note:** This exemption does not apply where the in-house fringe benefit is provided under a salary packaging arrangement.   * laptop computers, tablets and portable printers * smart watches, mobile phones and other portable electronic devices * certain relocation benefits * tools of trade * certain ‘remote area’ expenses * minor benefit less than $300 (including GST). |  | |  | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Expenditure/benefit | | Applicable (Yes/No) Completed date | | Work page | | Data required | | | Type of benefit |
| CAR PARKING EXPENSES | | | | | | | | | |
| *Benefit arises where:*   * there is a commercial all-day car park within a one kilometre radius of the business premises (measured by the shortest practicable direct route) that charges more than $9.72 a day at the beginning of the 2023 FBT year   **Note**: [*Taxation Ruling* TR 2021/2](https://iknow.cch.com.au/document/atagUio3385035sl1257287978/tr-2021-2-fbt-car-parking-benefits) *Fringe benefits tax: car parking benefits* was updated to provide that from 1 April 2022 (the current FBT year) car parking facilities that charge penalty rates higher than commercial rates are now considered to be commercial parking stations for FBT purposes.  This impacts car parks previously excluded that have a free period followed by penalty rates to discourage all day parking such as shopping centres which are now included. |  | |  | | **Actual benefits provided method**   * number of car parking spaces provided to employees * daily value of the spaces * number of business days during the year * method of valuation used * employee contributions (if any) * consideration of annual leave and/or sick leave taken (i.e. car parking benefit not actually provided).   **Statutory formula method**  *(refer formula 9.1)*   * number of spaces * daily value of the spaces * method of valuation used * employee contributions (if any).   **COVID-19 note:** Reductions or concessions may be available where a work car park was closed, or all commercial car parks within a one kilometre radius were closed. | | Car parking fringe benefit | | |
| * the car is parked for a period of more than four hours between 7.00am and 7.00pm |  | |  | |
| * the car is owned or leased by the employee (or associate), or the employer provides for use by the employee |  | |  | |
| * the car is used for travel between home and work by the employee at least once on that day |  | |  | |
| * the car is parked at or in the vicinity of the primary place of employment. |  | |  | |
| **CAR PARKING EXPENSES (CONTINUED)** | | | | | | | | | |
| **Note**: The benefit is provided in respect of employment.  *Exemptions include:*   * car parking benefits provided where cars are not parked at a commercial car parking station, the employer is not a government body, listed public company or a subsidiary of a listed public company, and either the employer’s total income for the year of income preceding the FBT year was less than $50 million, or that employer was a small business entity for the most recent year of income before the FBT year |  | |  | | **12-week register method**  *(refer formula 9.2)*   * identification of each vehicle parked * the date and place the car was parked, with times of entry and departure * the nature of the journey from home to place of employment * daily value of the spaces * method of valuation used * employee contributions (if any) * election.   **Note:** The register must be maintained for a continuous 12-week period but can be used for the subsequent four FBT years unless the number of car parking fringe benefits increases by 10% in which case a new register must be kept. | | | Car parking fringe benefit | |
| * car parking benefits provided by certain non-profit bodies, including public benevolent institutions |  | |  | |
| * benefits exempted by FBT regulations, such as parking for disabled employees. |  | |  | |
| *Benefit arises where:*   * the car is parked for a period of more than four hours between 7.00am and 7.00pm in the vicinity of the employee’s primary place of employment |  | |  | | **Reimbursement of car parking expenses**   * amount of expense * employee contributions (if any). | | | Expense payment fringe benefit | |
| * the benefit is provided in respect of employment |  | |  | |
| * the car is used for travel between home and work by the employee at least once on that day |  | |  | |
| * the employee is reimbursed for the car parking.   **Note**: There is no requirement relating to the provision or ownership of the car being parked. |  | |  | |
| BOARD | | | | | | | | | |
| *Benefit arises where:*   * the employee or associate under either an industrial award or under some type of arrangement is entitled to residential accommodation and at least two meals a day |  | |  | | **Board benefit** *(refer formula 10)*   * number of employees (or family members) receiving the board * number of days board provided * number of meals provided * employee contributions (if any). | | | Board fringe benefit | |
| * the meal is prepared on the employer’s premises, worksite, etc. |  | |  | |
| OTHER BENEFITS PROVIDED TO THE EMPLOYEE OR ASSOCIATE | | | | | | | | | |
| *Benefit arises where:*   * the employer has provided property (either in-house or external) |  | |  | | **Property benefit** *(refer formula 11)*   * description of property provided * type of property (i.e. in-house or external) * arm’s length price of the property * employee contribution (if any). | | | Property fringe benefit | |
| * the benefit is provided in respect of employment. |  | |  | |
| *Exemptions include:*   * the first $1,000 of any in-house benefits.   **Note:** This exemption does not apply where the in-house fringe benefit is provided under a salary packaging arrangement. |  | |  | |
| * Retraining benefit which do not have a sufficient nexus to their current employment. From 2 October 2020, FBT exemption exists for costs incurred by employers in providing reskilling and retraining benefits for redundant or soon to be redundant employees. The exemptions will not include salary packaging arrangements nor extend to Commonwealth supported places at universities or to repayments of Commonwealth student loans. |  | |  | |  | | |  | |
| **OTHER BENEFITS PROVIDED TO THE EMPLOYEE OR ASSOCIATE (CONTINUED)** | | | | | | | | | |
| *Benefit arises where:*   * the employer has provided benefits not covered by other valuation rules. |  | |  | | **Residual benefit** *(refer formula 11)*   * description of benefit * type of benefit (i.e. in-house or external) * arm’s length price of the benefit * employee contributions (if any). | | | Residual fringe benefit | |
| *Exemptions include:*   * the first $1,000 of any in-house benefits.   **Note:** This exemption does not apply where the in-house fringe benefit is provided under a salary packaging arrangement. |  | |  | |

# Relevant formulae

## Car fringe benefit

For FBT purposes, a car is defined as a motor vehicle (except a motor cycle or similar vehicle) designed to carry a load of less than one tonne and fewer than nine passengers. Where an employee is provided a motor vehicle which does not satisfy the definition of a car, the provision of such a benefit will be a residual fringe benefit and the taxable value of such a vehicle must be determined under the specific valuation provisions applicable to such residual fringe benefits.

A car is a car fringe benefit where the car is held (e.g. owned or leased) by the provider (e.g. employer) which is applied for a private use by the employee (or associate) or is taken to be available for the private use of the employee (or associate). A car is considered to be available for private use if it is garaged at or near the employee’s home or is in the employee’s custody or control.

Registration, stamp duty and extended warranty costs are not included in calculating the base value (i.e. cost) of the car. However, dealer delivery charges and the costs of any non-business accessories (e.g. stereos, sunroof, etc.) are included, as well as the GST and customs duty paid on the motor vehicle (if applicable).

### 1.1 Operating cost method

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Taxable value | = |  | (Total operating costs\* (including depreciation\*\* and imputed interest\*\*\* where the vehicle is owned and provided as a car fringe benefit) | x | Private use %\*\*\*\* |  | less | Employee contributions\*\*\*\*\* |

\* Operating costs are car expenses (refer below), deemed depreciation and imputed interest if the car is owned by the provider, and lease charges if leased by the provider.

\*\*Depreciation is calculated on the depreciated value of the car. That depreciated value is based on the cost of the car if the car was acquired during a year or its depreciated value if the car had been held at the beginning of the year. For these purposes, the cost of the car refers to the full cost of the vehicle (i.e. it is not subject to the motor vehicle depreciation cost limit) using the rates set out below:

|  |  |
| --- | --- |
| Date car purchased | FBT year ending 31 March 2023 |
| Up to and including 30 June 2002 | 22.50% |
| From 1 July 2002 to 9 May 2006 | 18.75% |
| On or after 10 May 2006 | 25.00% |

\*\*\*Imputed interest is calculated on the depreciated value of the car at a statutory rate which is determined by the Australian Taxation Office (ATO) on an annual basis. As discussed above, the depreciated value is based on the cost of the car if the car was acquired during a year or its depreciated value if the car had been held at the beginning of the year. For these purposes, the cost of the car refers to the full cost of vehicle (i.e. it is not subject to the motor vehicle depreciation cost limit). The annual statutory interest rate is 4.52% for the 2023 FBT year.

\*\*\*\*Private use percentage is the total use of the car less the business percentage use of the car. The business use percentage is a reasonable estimate of the number of business kilometres travelled during the year based on the logbook records and odometer readings at the beginning and end of the year.

\*\*\*\*\*Employee contributions comprise car expenses incurred by the recipient of the car fringe benefit, being fuel; insurance; registration and repairs; and maintenance which are not reimbursed by the employer. Employees must retain a receipt or invoice to evidence any running costs they incur.

**COVID-19 note:** **For the 2022 FBT year** please note there are a number of ATO administrative concessions regarding the application of the operating cost formula as it is impacted by COVID-19 circumstances. Please refer to **Other FBT aspects: COVID-19 and FBT** below. **ATO has made no further announcements re FBT and Covid-19 since 1 April 2022 as of the date of this checklist. so you should assume any concessions granted by the ATO regarding FBT for COVID-19 (such as not applying compliance resources to certain matters) will have no application in the 2023 FBT year unless otherwise announced by the ATO, and the normal rules would apply.**

### 1.2 Statutory formula method

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Taxable value | = | 0.2\* |  | x Base value of car \*\* |  | x | No. of days a car benefit has been provided |  | less | Employee contributions |
|  | No. of days in year of tax (being 365 days other than in a leap year) | | | | |  |

\* A flat statutory rate of 0.2 applies to the provision of car fringe benefits for the 2023 FBT year regardless of the number of kilometres travelled by the car. This change was announced in the 2011-12 Federal Budget and replaced the former statutory fraction rates whose application differed according to the total number of kilometres travelled in the FBT year. However, the statutory fraction rates will continue to apply to the provision of a car fringe benefit after 7.30pm AEST on 10 May 2011 where the car is provided under a binding pre-existing commitment (e.g. novated lease) entered into before that time as set out below:

### Statutory fractions for pre 10 May 2011 leases and contracts

|  |  |
| --- | --- |
| Total kms travelled in FBT year | Statutory fraction rates |
| 0 – 14,999 | .26 |
| 15,000 – 24,999 | .2 |
| 25,000 – 40,000 | .11 |
| Over 40,000 | .07 |

You should continue to apply the above statutory rates for all pre-existing commitments under agreements entered into before 7.30p.m. on 10 May 2011 unless there is a subsequent change to that commitment. Such a change could include the refinancing of a car, an extension of a lease or contractual term, or a change in employers in which case the parties will be regarded as having entered into a new commitment, and the standard statutory fraction rate of 0.2 will apply to determine the taxable value of the car benefit from the beginning of the next FBT year. The volume of cars held under such pre-existing commitments is likely to be rapidly diminishing as lease terms rarely extend to ten-year terms or more.

\*\* Where the car has been owned or leased for more than four years at the beginning of the FBT year, the base value (i.e. cost) of the car is reduced by one-third.

## Loan fringe benefit

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Taxable value | = |  | Notional interest calculated at benchmark statutory rate\* | Less | Actual Interest\*\* |  | less | Otherwise deductible amount |

The taxable value of a loan fringe benefit is the amount (if any) by which the notional amount of interest in relation to the loan made to the employee exceeds the actual amount of interest that has been paid on the loan by the employee.

\* The notional amount of interest is calculated by applying a benchmark statutory rate of interest on the daily balance of the loan. The benchmark statutory interest rate for the FBT year ending 31 March 2023 is 4.52%.

\*\* The actual interest is the amount of interest actually paid on the loan by the employee.

\*\*\*Where the loan is used wholly or partly by the employee to produce assessable income (e.g. to acquire a long-term share portfolio),the otherwise deductible rule reduces the taxable value of the loan fringe benefit by a notional deduction, being the amount which the employee would have been entitled to a claim as a deduction had he or she incurred the notional amount of interest in respect of the loan. If the loan is being used for income producing purposes the employee must provide a declaration, otherwise the taxable value will not be reduced under the ‘otherwise deductible rule’.

If an employee is also a shareholder in a private company or an associate of such a shareholder, the loan will not be subject to FBT but will be subject to the provisions of Division 7A of the *Income Tax Assessment Act* *1936.* In these circumstances, such a loan may be regarded as an assessable deemed dividend unless an exemption applies, such as where the shareholder enters into a complying section 109N written agreement which has an allowable maximum term and minimum interest rate.

## Debt waiver fringe benefit

The taxable value of a debt waiver fringe benefit in an FBT year is the amount of payment or repayment of the debt which the employee was obliged to pay or repay which has been waived (i.e. released).

## Housing

### Non-remote area

The taxable value of a right to use or occupy non-remote housing benefits depends on the type of accommodation provided to the recipient.

Flats, houses and units – the taxable value of the benefit is the market value of the right to use or occupy the accommodation less employee contribution (if any). In subsequent years, the market value can generally be used again, or alternatively the market value in the first year can be indexed using the CPI movement for a further nine years. The CPI factor applied will depend on the State or Territory in which the property is located. The CPI factors for the purposes of valuing such non-remote housing for the 2023 FBT year are now advised by way of webpage content on the [ATO website](https://www.ato.gov.au/rates/fbt/?page=1#Housing_indexation_figures).

Caravans, mobile homes, hotels and motels where the provider of the benefit provides similar or identical accommodation but is not the employer – the taxable value will be the market value of the right to use or occupy the unit of accommodation less employee contribution (if any).

Caravans, mobile homes, hotels and motels where the provider of the benefit provides similar or identical accommodation is also the employer – the taxable value will be 75% of the charge to the public of the right to use or occupy the unit of accommodation less employee contribution (if any).

### Remote area

The provision of remote area housing is exempt from FBT. Such housing will only be exempt where the accommodation is provided in certain specified remote areas to a current employee, the employee’s usual place of residence is in that remote area and it is necessary for the employer to provide such housing because there is insufficient suitable residential accommodation in the area or it is customary industry practice to provide such housing. A list of what places qualify as remote areas is available on the [ATO website](https://www.ato.gov.au/Business/Fringe-benefits-tax/In-detail/Fringe-benefits-tax---remote-areas/).

### Outside Australia

The taxable value of housing fringe benefits where the accommodation provided is located outside Australia is equal to the market value of the right to use or occupy the unit of accommodation less any employee contribution.

## Living away from home allowance benefit (LAFHA)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Taxable value | = | LAFHA paid | less | Exempt accommodation component | less | Exempt food component |

### Exempt accommodation component

The exempt accommodation component is not taxable where the costs incurred for rental, lease or other payment for accommodation (i.e. mortgage payment) are reasonable. Any amount in excess of what is considered reasonable is taxable.

From 1 October 2012, in order for accommodation to qualify as an exempt accommodation component, all accommodation expenses must be fully substantiated by the employee and provided to their employer. Alternatively, the employee can provide a declaration to their employer informing them of the total accommodation expenditure.

**Note:** Documentary evidence is still required to be held by the employee for five years where they provide the accommodation expenditure declaration to their employer.

### Exempt food component

The exempt food component is that part of the LAFHA which reasonably compensates the employee for food or drink expenses actually incurred by the employee (and the employee’s family) during the period the employee is living away from home less the ‘applicable statutory food total’.

The applicable statutory food total is the sum of the statutory food amounts for the employee and eligible family members, (i.e. adult or child 12 years or over at $42 per week and child under 12 years at $21 per week), less amounts that might reasonably have been expected to have been the total normal food and drink expenses if the employee and family had remained living at their normal residence. This portion of the living away from home allowance is therefore exempt up to the reasonable food component limit.

The Commissioner’s view on the reasonable exempt food component for the 2023 FBT year is set out in Taxation Determination TD 2022/2.

Where food and drink expenses are in excess of those reasonable amounts (as determined by the Commissioner), all food and drink expenses must be substantiated in full by the employee and documentary evidence must be provided to their employer. Alternatively, the employee can provide a declaration to their employer informing them of the total food and drink expenditure above the Commissioner’s reasonable amount.

**Note:** Documentary evidence is still required to be held by the employee for five years where they provide the food and drink expenditure declaration to their employer. Evidence of all expenditure, not just amounts in excess of reasonable food amount, is required.

## Expense payment fringe benefit

An expense payment fringe benefit arises when an employer discharges an obligation of the employee or associate to pay an expense owed to a third party or reimburses the employee or associate for expenses they have incurred. Such benefits will typically be regarded as external expense payment fringe benefits. The taxable value of an external expense payment fringe benefit is the amount paid or reimbursed by the employer less employee contribution (if any). The taxable value of such a benefit will be further reduced to the extent that the recipient of the benefit would have been entitled to a once-only tax deduction had the recipient incurred the expenditure under the otherwise deductible rule. Concessional rules apply to the provision of certain in-house expense payment fringe benefits.

## Airline transport fringe benefit

Airline transport fringe benefits no longer exist as a separate category of fringe benefit subject to its own valuation rules. Where an airline operator provides, in the course of employment, free or discounted air travel on a stand-by basis to employees or their associates, such benefits are now treated as in-house residual or property fringe benefits as discussed in the commentary on those benefits below.

## Entertainment expenses – meal

There are three different methods for determining the taxable value of meal entertainment benefits.

Attached at Appendix A is a summary of the deductibility and FBT treatment of entertainment.

Attached at Appendix B is a sheet to calculate entertainment fringe benefits.

### 8.1 50/50 split method

Taxable value = Total value of meal entertainment fringe benefits provided to all persons x 50%

Under this method, 50% of all meal entertainment expenses is tax deductible and subject to FBT, while the remaining 50% is not tax deductible and is not subject to FBT.

By combining meal entertainment for both employees and non-employees, the formula assumes that only 50% of total meal entertainment is provided to non-employees. Therefore, 50% of the cost of such meal entertainment will be deductible as it will be taken to relate to employees. This will be the case regardless of who was entertained. However, if more than 50% of the meal entertainment relates to non-employees the actual expenditure method is generally more tax effective but also more difficult to comply with.

The otherwise deductible rule does not apply, nor are any third-party contributions taken into account.

The exemptions for property fringe benefits are not applicable.

### 8.2 Actual record of expenditure

An actual record of meal entertainment expenditure is kept using an actual cost or average cost (on a per head apportionment basis under Taxation Determination TD 94/25).

### 8.3 12-week register method

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Register % | = | | Total value of meal entertainment fringe benefits provided to employees and their associates during the 12-week period | | | |
| Total value of meal entertainment fringe benefits provided  to all persons during the 12-week period | | | |
| Taxable value | |  | = | Total value of meal entertainment fringe  benefits provided to all persons | x | Register % |

Only if the FBT calculated over a continuous 12-week period is representative of an entire year will the FBT payable equate to the meal entertainment actually provided.

The otherwise deductible rule does not apply, nor are third party contributions taken into account.

The exemptions for property fringe benefits are also not applicable.

### 8.4 Entertainment Facility Leasing Expenses

Entertainment Facility Leasing Expenses (EFLE) can be valued using either the 50/50 split method or actual method and can be valued differently to meal entertainment fringe benefits in a given FBT year.

**50/50 split method**

Taxable value    =    Total value of entertainment facility leasing expense benefits provided to all persons    x   50%

The minor benefit rule cannot be applied and the exemptions for property fringe benefits are not applicable.

**Actual method**

Taxable value    =    Total value of entertainment facility leasing expense benefits provided to all employees

The taxable value can be further reduced by employee contributions, the minor benefit rule or a reasonable apportionment of advertising expenses (generally accepted at 5% unless a higher deduction can be substantiated).

## Car parking fringe benefit

There are three methods for determining the value of a car parking fringe benefit:

* commercial parking station method – the lowest fee charged for all day parking, by any commercial parking station within a one kilometre radius of where the car is parked
* market value/arm’s length method – value determined by a qualified valuer
* average cost method – the average of the lowest fees charged on the first and last day of the FBT year.
* There are three methods of determining the number of car parking fringe benefits:
* actual benefits provided method
* statutory formula method
* 12-week register method

### 9.1 Actual benefits provided method

Each car parking benefit provided needs to be calculated separately with each benefit calculated under the chosen method and then reduced by the employee contribution.

**COVID-19 note: For the 2022 FBT year,** if all commercial car parks within a one kilometre radius of your business premises were closed on a particular day due to COVID-19, there will be no car parking benefits provided on that day. **ATO has made no further announcements re FBT and Covid-19 since 1 April 2022 as of the date of this checklist**.

### 9.2 Statutory formula method

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Taxable value | = |  | Daily rate amount \* | x | Number of days\*\*\* benefit provided | x | 228 |  | less | Employee contributions |
|  |  |  | 366\*\* |  |  |  |

This method involves determining the number of car spaces made available for parking and then working out the taxable value of each car parking space applying the above formula. The value of all car spaces are then added up to give the total statutory benefit which can be reduced by any employee contributions (and which may need to be adjusted if the average number of employees is less than the average number of car spaces in certain circumstances).

\* Daily rate amount is the value of the spaces calculated using one of the three approved valuation methods described above (being the commercial parking station, market value or average cost methods).

\*\* Note that the formula per the legislation uses 366 days as its base for the number of days in a year.

\*\*\* **COVID-19 note:** **For the 2022 FBT year,** if a work car park is closed for a particular period due to COVID-19, the availability period determined under the ‘Number of days benefit provided’ will be reduced by those closure days.

### 9.3 12-week register method

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Taxable value | = |  | Total value of car parking benefits (per register) | x | 52 | x | Number of days benefits provided |
|  |  |  | 12 |  | 366\* |

The value of each car parking benefit in the register must use the commercial parking method, the market value method or the average cost method. The total of these values is known as the total value of car parking benefits.

\* Note that the formula per the legislation uses 366 days as its base for the number of days in a year.

## 10. Board fringe benefit

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Aged 12 years or over | = | $2.00 per meal | x | Number of meals provided | less | Otherwise deductible amount | less | Employee contributions |
| Aged under 12 years | = | $1.00 per meal | x | Number of meals provided | less | Otherwise deductible amount | less | Employee contributions |

## Property and residual benefits

The taxable value is generally the arm’s length value of the benefit.

For in-house benefits or reduced value benefits, the taxable value is generally either 75% of the arm’s length value or 75% of the lowest public price charged. The taxable value of such a benefit is reduced by any employee contributions and any otherwise deductible amounts.

### 11.3 Air travel provided by airline operator

Where an airline operator provides, in the course of employment, free or discounted air travel on a stand-by basis to employees or their associates, these should now be treated as in-house residual or property fringe benefits.

Where such a benefit is not provided under a salary packaging arrangement, the taxable value of the benefit is calculated as follows:

Taxable Value = 75% of stand-by airline travel value less Employee contributions

The stand-by airline travel value is calculated as follows:

Domestic Travel: 50% of the carrier’s lowest standard single economy airfare for that route as publicly advertised during the year of tax.

International Travel: 50% of the lowest of any carrier’s standard single economy airfare for that route as publicly advertised during the year of tax.

# Other FBT aspects

## Gross-up rules

To ensure neutrality between an employee receiving a fringe benefit or cash salary within the context of the GST system, changes were introduced to the way in which the relevant gross-up formula is calculated. The taxable amount is dependent on the relevant gross-up formula. A higher gross-up formula has been introduced to take into account the effect of input tax credits being able to be claimed in certain circumstances in respect of GST paid on some fringe benefits, the higher gross-up rate is 2.0802 and the lower gross-up rate is still applicable in certain circumstances and is 1.8868. Which of these gross-up rates is to be applied depends on whether the amounts are ‘type 1 aggregate fringe benefits amounts’ or ‘type 2 aggregate fringe benefits amounts’.

## Type 1 aggregate fringe benefits amounts

The ‘type 1 aggregate fringe benefits amount’ represents the total value of fringe benefits provided to employees or their associates where the provider of the benefit (i.e. employer) was entitled to input tax credits (assuming the entity is registered for the GST) at the time the benefit was acquired. The amount is then grossed-up to a GST inclusive value by applying the higher FBT gross-up formula, which effectively recoups any input tax credits arising from the provision of such fringe benefits. The sum of all type 1 fringe benefits is totalled during the year of tax and comprises the employer’s type 1 aggregate fringe benefits amount for that FBT year. The type 1 aggregate fringe benefits amount is multiplied by 2.0802 in calculating the grossed-up value of such benefits for the FBT year ended 31 March 2023.

Type 2 aggregate fringe benefits amounts

The second type of aggregate fringe benefits amount provides for situations where the employer is not entitled to claim any input tax credit in respect of the fringe benefits provided such as would arise in the following circumstances:

* fringe benefits are provided and their taxable value is determined before the introduction of the GST (pre 1 July 2000)
* fringe benefits are GST-free or input taxed
* the goods or services are not acquired by the employer, for example, the goods or services are manufactured
* small business employers have opted not to register for the GST.

The taxable value of all such fringe benefits are aggregated to be the type 2 aggregate fringe benefit amount which is multiplied by 1.8868 to determine the grossed-up taxable value of such benefits for the FBT year ended 31 March 2023.

## FBT concessional treatment of FBT exempt and FBT rebatable employers

FBT exempt employers - Public benevolent institutions, registered health promotion charities and private (not for profit) and public hospitals

Separate concessional FBT treatment is available to PBI’s and charitable institutions, and for private not-for-profit and public hospitals and certain public ambulance services. For PBI’s and charitable institutions, no FBT is payable on the grossed-up taxable value of benefits provided up to a threshold limit of $30,000 per employee for the FBT year ended 31 March 2023.

For private not-for-profit and public hospitals and eligible public ambulance services, the grossed-up taxable value of benefits can be provided up to a threshold limit of $17,000 per employee for the FBT year ended 31 March 2023.

Any amount of fringe benefits in excess of these threshold amounts will be subject to normal FBT treatment. However, car parking benefits and non-packaged meal entertainment and entertainment leasing facility expenses are disregarded for the purposes of calculating the above $30,000 and $17,000 grossed-up threshold limits.

From 1 April 2016 a separate gross up cap of $5,000 has applied to employees of the above non-profit organisations for salary sacrificed meal entertainment and entertainment facility leasing expenses. To the extent that the separate $5,000 cap has been exceeded any excess will be included in the calculation of the above respective gross-up caps of $30,000 or $17,000.

*FBT rebatable employers*

FBT rebatable employers are certain non-profit, non-government employers who are eligible for a rebate of 47% of the FBT that would otherwise be payable. The rebatable amount available to eligible rebatable employers is limited to $30,000 of grossed-up taxable value of fringe benefits provided to each employee for the 2023 FBT year.

From 1 April 2016 a separate gross up cap of $5,000 has applied to employees of rebatable employers for salary sacrificed meal entertainment and entertainment facility leasing expenses, and any amount in excess of that cap will be included in the calculation of the above general cap on fringe benefits of $30,000.

**COVID-19 note:** **For the 2022 FBT year,** the ATO has announced it will not apply compliance resources to scrutinise salary packaged meal entertainment expenditure for the 2022 FBT year where the meals are provided by a supplier that was authorised as a meal entertainment provider as at 1 April 2021. **The ATO has made no further announcements re this matter since 1 April 2022 as of the date of this checklist.**

## FBT gross-up rate

The following example examines the cost to an employer which is a company providing Type 1 or Type 2 fringe benefits as opposed to paying a salary assuming it pays tax at the 25% corporate tax rate.

**A fringe benefit provided by a company for the FBT year ended 31 March 2023 – value $1,100 (including GST)**

|  | **Type 1 aggregate fringe  benefit amount**  Gross-up rate: 2.0802 | **Type 2 aggregate fringe  benefit amount**  Gross-up rate: 1.8868 |
| --- | --- | --- |

|  |  |  |
| --- | --- | --- |
|  | Employer is entitled to an input  tax credit | Employer is not entitled to an input  tax credit |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **(1) Cost to employer** |  |  |  |  |
|  | **Taxes paid to ATO** | | | **Taxes paid to ATO** |
| **(a) Benefit** | **$** | **$** | **$** | **$** |
| Cost of benefit (GST inclusive) (A) | 1,100 |  | 1,100 |  |
| GST paid (B) |  | - |  | 100 |
| Less Input tax credit (C) | 100 |  | - |  |
| Net cost of benefit (D) | 1,000 |  | 1,100 |  |
| Gross-up for FBT (F=A x gross-up rate) | 2,288 |  | 2,075 |  |
| FBT payable at 47% (G=F x 47%) |  | 1,075 |  | 975 |
| Total tax paid/payable (H) |  | 1,075 |  | 1,075 |
| Less Income tax deduction at 25% (I=(D+G) x 25%) | 519 |  | 519 |  |
| Cost to employer (J=D+G-I) | **1,557** |  | **1,557** |  |
| **(b) Salary** |  |  |  |  |
| Equivalent to providing a salary of: |  |  |  |  |
| Gross salary to employee | 2,075 |  | 2,075 |  |
| Less Income tax deduction at 25% | 519 |  | 519 |  |
| Cost to employer | **1,557** |  | **1,557** |  |
| **(2) Cost to employee** |  |  |  |  |
| **(a) Salary** |  |  |  |  |
| This is equivalent to receiving a salary of: |  |  |  |  |
| Gross salary | 2,075 |  | 2,075 |  |
| Tax payable at 47% | 975 |  | 975 |  |
| Cost to employee | **1,100** |  | **1,100** |  |
|  |  |  |  |  |

## Reportable fringe benefits and payment summaries

Where an employee’s total taxable value (i.e. non-grossed-up value) of fringe benefits provided exceeds $2,000, the employer is required to include the grossed-up taxable amount of the fringe benefits provided to the employee on the employee’s payment summary. For the purposes of calculating this $2,000 cap certain fringe benefits are excluded, such as meal entertainment benefits, car parking benefits and certain remote area fringe benefits. The gross-up rate to be used for the 2023 FBT year in respect of reportable fringe benefits is 1.8868 regardless of whether the benefits provided are Type 1 or Type 2 benefits.

An employee’s reportable fringe benefits amount will be taken into account for the purposes of, amongst other things, applying the Medicare Levy Surcharge, calculating Higher Education Loan Payment (HELP) repayments or determining an individual’s entitlement to the spouse superannuation tax offset.

## FBT and COVID-19

The ATO has announced a number of administrative concessions to assist employers impacted by COVID-19. These are summarised below and referable to the **2022 FBT year. The ATO has made no further announcements regarding the application of these rules for the 2023 FBT year as of the date of this checklist** **so you should assume any concessions granted by the ATO regarding FBT for COVID-19 set out below (such as not applying compliance resources to certain matters) will have no application in the 2023 FBT year unless otherwise announced by the ATO, and the normal rules would apply.** The below remains relevant as an analysis of FBT consequences where employers provide benefit to employees due to Covid-19.

### COVID-19 vaccination incentives and rewards

*The ATO has published a* [*factsheet*](https://www.ato.gov.au/law/view/document?DocID=AFS/VACC_INC-COVID-19) *to for employers who has provided COVID-19 vaccination incentives and rewards to assist with determining their FBT treatment. A few examples provided as follows*

* *Cash bonuses for vaccinations and booster shots are part of salary and wages and tax required to be withheld under PAYGW, and super paid on top.*
* *Other non-cash benefits such as goods, services, vouchers, gift cards, or points in a reward scheme would be subject to FBT unless an exemption or reduction applies, such as the minor benefit exemption where it is less than $300.*
* *Payment of transport costs for employees to get their COVID-19 vaccinations would be exempt from FBT as it is associated with work-related preventative health care.*

### Cars

*The ATO have released a* [*Fact sheet for employers*](https://www.ato.gov.au/law/view/document?DocID=AFS/CAR-FBT-COVID-19/00001&PiT=99991231235958) *considering how COVID-19 may impact the calculation of FBT liabilities arising from car fringe benefits.*

*Home garaged cars*

*For cars garaged at an employee’s home during a lockdown or business premises closure period, cars which are only driven for basic maintenance purposes can have their taxable value reduced to nil for this period if applying the operating cost method.*

*Those cars which are continued to be driven during a lock down period and whose taxable value is calculated using the operating cost method may have their taxable value reduced where a valid log book is maintained.*

*Cars garaged at home but which do not have a valid log book cannot utilise the operating cost method and the car will be deemed as available for private use for the whole period, even during lock down times.*

*Where a car is returned to the employer’s business premises, the employee cannot gain access to the car and the employee has relinquished an entitlement to use the car for private purposes, there is no private use of the car.*

*Log books*

*Existing valid log books can continue to be used to determine the taxable value of cars, however, the log book should reflect the average use of the car for the full FBT year. For COVID-19 affected periods, employers and employees can make a reasonable estimate of the impact of COVID-19 on the business use percentage or otherwise elect to maintain a new log book that is representative of the full FBT year.*

*New log books commenced and subsequently impacted by COVID-19 can be considered valid log books provided that the ordinary log books requirements are satisfied (12 consecutive weeks, odometer records, purpose of journey, etc.) and reasonable adjustments are made to account for the COVID-19 impact on the business use percentage.*

*Odometer records*

*Odometer records must be maintained for the start and finish of non-log books years and should be maintained for cars which are valued using the statutory formula method. The ATO also recommend that odometer records be maintained to evidence usage during COVID-19 impacted periods.*

### Car Parking

*Valuation rates of nearby commercial parking stations*

*Commercial car parking station daily rates cannot be accepted when determining if the daily rate charged at 1 April 2021 is less than $9.25 per day where the daily rate on 1 April 2021 is substantially greater or less than the average of the lowest fee charged by a commercial parking station operator in the four weeks prior to or the four weeks after 1 April 2021.*

*Closure of work car park*

*If all commercial car parks within a one kilometre radius of your business premises were closed on a particular day due to -19, there will be no car parking benefits provided on that day.*

*Closure of nearby commercial parking stations*

*If a work car park is closed for a particular period due to COVID-19, the availability period determined under the ‘Number of days benefit provided’ will be reduced by those closure days. Care should be given for usage of the car park for certain essential worker staff who may have attended onsite and used the car park during a business premises closure period as in those instances, a car parking benefit may still have been provided.*

### Working from home equipment

*The ATO has released a* [*Fact sheet for employers*](https://www.ato.gov.au/law/view/view.htm?docid=%22AFS%2FWFH-FBT-COVID-19%2F00001%22&mkt_tok=OTc4LVJKQy0wMTgAAAF70dXhAgp7k1k9bzEYgG_IjMqEN4B-K3AmTT_g3DxRCliIYm612PDxYwJs1eLDcdePlkNEouKnqDUZNDWdKavTvFFDc4eojj2u2XO3qWGi6YMfgw) *to assist in determining potential FBT liabilities arising from the provision of support for employees working from home.*

*The provision of or reimbursement of costs incurred for home office equipment may be exempt from FBT if it falls within one of the following circumstances:*

* *The asset being provided is a portable electronic device and the small business exemption applies or only one type of portable electronic device is provided per FBT year.*
* *The assets used by the employee are lent from the employer during temporary working from home arrangements, the property is either ordinarily located on the employer’s business premises or is wholly or principally in connection with business operations and expected to be returned to the office when normal working conditions resume.*
* *The employee could otherwise claim a once-off tax deduction for the cost incurred or reimbursed. Please note a declaration is required to utilise this exemption.*
* *The benefit could be exempted under application of the minor benefits rule.*
* *The benefit could be exempt as provision of work-related preventative health care.*

*Care should be given in respect of home office equipment which does not meet any of the above exemptions, for example, a desk with a purchase price of $500, including GST. Such benefits are likely to attract FBT.*

### Salary packaged meal entertainment

*The ATO has announced that it will not apply compliance resources to scrutinise salary packaged meal entertainment expenditure for the 2022 FBT year where the meals are provided by a supplier that was authorised as a meal entertainment provider as at 1 April 2021.*

### Entertainment – cancelled events

*FBT is not payable on costs incurred on non-refundable events which were cancelled and employees were unable to attend. FBT may arise for costs incurred to reimburse an employee and the event is subsequently cancelled unless the otherwise deductible rule can be applied.*

### Accommodation, food and transport

*FBT will not apply to costs incurred to provide an employee with emergency accommodation, food, transport or other assistance where the benefit is to provide emergency assistance with immediate relief to an employee who is or is at risk of being adversely affected by COVID-19.*

*The exemption can be applied to emergency travel, including flights home to Australia, temporary accommodation and food costs incurred due to travel restrictions (national or international), self-isolation or quarantine costs, or transport costs associated with emergency travel.*

*The emergency assistance exemption can extend to temporary accommodation and food costs incurred for fly-in fly-out and drive-in drive-out employees who are unable to return to their usual place of residence due to COVID-19.*

### Personal Protection Equipment

*The provision of personal protective equipment is exempt from FBT where provided to employees who in carrying out their duties, are in physical contact with or close proximity to customers or clients or are involved in cleaning premises.*

*PPE exempt benefits may include gloves, masks, sanitisers, and anti-bacterial spray.*

*Benefits provided to employees which do not meet the exemption criteria may be able to exempt the benefits by applying the minor benefits rule.*

### Employee healthcare, COVID-19 testing and flu vaccinations

*Emergency health care remains exempt from FBT. However, the exemption is limited to health care treatment provided by an employee (or an employee of a related company, care provided on company premises at or adjacent to an employee’s workplace). Payment for ongoing medical or hospital costs may attract FBT. Transport cost of employees from your workplace to seek medical help is exempt from FBT.*

*The provision of flu vaccinations outside of the office remains exempt as work-related preventative healthcare provided that the vaccine or vaccine reimbursement is offered to all employees. Similarly, COVID-19 testing costs are also exempt from FBT provided that the testing is carried out by a legally qualified medical professional and the testing is made available to all employees.*

*From 1 July 2021 COVID-19 testing expenses are tax deductible for testing taken to attend a place of work. This will also mean fringe benefits tax will not be incurred by employers if they provide COVID-19 tests to their employees for this purpose. This measure is now law.*

## Pending FBT announcements

### Reduced declaration substantiation requirements

On 9 September 2022 draft legislation was released intending to reduce FBT record keeping compliance costs. This will allow the ATO to publish new legislative instruments to set out what documentation it will accept to substantiate FBT claims without requiring legislative change.

The first two draft legislative instruments proposed that employers can rely on alternative documentation for:

1. Travel diaries – corporate travel records emails and calendar entries rather than travel diaries
2. Relocation transport – employer records rather than employee declaration can be used.

This is proposed to apply from the start of the first FBT year (1 April) after date of royal asset of the legislation and more legislative instruments is expected to be released in due course.

# Declarations and other records

## Declarations

Declarations that may be required include:

* car fringe benefit declaration
* expense/residual/property benefit declaration. If applicable, one of the following declarations can be made in its place:
  + no private use declaration
  + recurring benefits declaration (can be used for a period of up to five years)

**Note:** For expense payment fringe benefits in relation to ‘extended travel’ a travel diary is required. Also, the no private use declaration is not available for property fringe benefits.

* loan fringe benefit declaration
* living away from home declaration. There are three possible declarations to complete for LAFHA arrangements:
  + living away from home declaration (employees who fly-in fly-out or drive-in drive-out)
  + living away from home declaration (employee-related expenses)
  + living away from home declaration (employees who maintain an Australian home)
* relocation/remote area holiday transport declaration
* meal entertainment election
* car parking fringe benefit election.

### Key features of declarations

Declarations normally include the following:

* name of employee
* applicable dates
* nature of the expense
* purpose of incurring the expenses
* the extent to which the expenses, etc. were included in earning assessable income.



## Log books

To establish the business use of a motor vehicle under the operating costs method, there are two types of records that must be maintained – being log book records and odometer records. In a log book year, both types of records must be maintained. A log book generally must be completed once every five years, and must contain information such as the date, the odometer readings at the beginning and end of each journey, the distance travelled and the purpose of the journey. Odometer records are the total distance travelled during the FBT year.

**COVID-19 note:** **For the 2022 FBT Year**, there are a number of ATO administrative concessions regarding the application of the operating cost formula where it is impacted by COVID-19 circumstances. Please refer to **Other FBT aspects: COVID-19 and FBT** above. **The ATO has made no such announcements for the 2023 FBT year as of the date of this checklist and you should assume normal rules apply unless otherwise announced.**

# Planning techniques

## FBT rate

FBT is payable on the sum of the employer’s type 1 aggregate fringe benefit amount and type 2 aggregate fringe benefit amount (i.e. the grossed-up value of taxable fringe benefits). The FBT rate is 47% for the FBT year ended 31 March 2023.

## Otherwise deductible rule

The taxable value of a fringe benefit can generally be reduced to the extent that the employee would be entitled to a ‘once only’ income tax deduction had he/she purchased the benefit.

## General advantages of salary packaging

Salary packaging can be advantageous because:

* the net cost of exempt and concessionally taxed fringe benefits are less than the net cost of funding the purchase of such benefits from an employee’s after-tax salary
* exempt and concessionally taxed benefits are not fully subject to Payroll tax and WorkCover
* employee loyalty benefits can arise, for example, employees may be more likely to remain with an employer where a significant portion of their salary is packaged.

## Cars

The statutory formula method in relation to the calculation of a car fringe benefit still results in the provision of a car benefit being concessionally taxed.

As the statutory formula method of calculating fringe benefits is based on the number of days the car is available for private use, there is the possibility of reducing the taxable value of the fringe benefit by reducing the number of days the car is available for private use. For example, if an employee has two cars available to use, the high cost car could remain garaged on the employer’s premises during the working week and only be used on the weekends. The second vehicle, which is owned by the employee can be used during the week to travel to and from work. The taxable value of the car can be reduced significantly using this strategy.

It is important to note that a flat statutory fraction of 0.2 will apply in calculating the taxable value of a car fringe benefit under the statutory formula method unless the car was acquired under an agreement entered into prior to 7.30 p.m. on 10 May 2011, and there has been no change to the pre-existing commitments under that agreement after that date. Accordingly, the estimated number of kilometres travelled is generally no longer a factor in the provision of car fringe benefits.

Leases entered into after 20 August 1996 may affect the method of packaging an employee’s motor vehicle. Leases for motor vehicles in excess of $64,741 (i.e. the depreciation cost limit for the 2022-23 financial year) entered into after this date will be treated in a similar way as hire purchase arrangements.

Where an employee purchases a motor vehicle at the end of a lease, there will be no FBT implications if the amount paid by the employee equals the residual payment and the lease was a bona fide lease. Income Tax Ruling IT 28 sets out that a lease is bona fide where the residual value exceeds the minimum residual value taking into account the original cost of the motor vehicle and the term of the lease. Also, there are no FBT implications if the employee subsequently sells the motor vehicle for a value higher than the residual payment.

The fringe benefits reporting exclusion for the pooled or shared private use by employees of their employer’s cars commenced on 1 April 2007. The reporting exclusion means that the provision of that benefit is not required to be reported on the employee’s payment summary. A pooled or shared car is a car that is used by more than one employee for private purposes (including home to work travel) during the FBT year.

**Electric vehicles exemption:** From 1 July 2022 employers will not pay FBT on eligible electric cars and associated car expenses if all of the conditions are met:

1. The car is a zero or low emissions vehicle. A zero or low emissions vehicle is a battery electric vehicle, a hydrogen fuel cell electric vehicle, or a plug-in hybrid electric vehicle (**PLEV**). From 1 April 2025, PLEV will not be available for FBT exemption. The exemption only applies to vehicles that are “cars” for FBT purposes, i.e., designed to carry a load of less than one tonne and less than 9 passengers. Other types of electric vehicles, such as electric motorcycles and scooters, will not qualify for the exemption.
2. The first time the car is both held and used is on or after 1 July 2022. The car can be held prior to 1 July 2022; however, its first use must be after that date. “Held” means owned, leased, or otherwise made available by another entity.
3. The car is used by a current employee or their associates (including family members).
4. No amount of luxury car tax was payable on the supply or importation of the car. This means that the value of the car at the first retail sale must be below the luxury car tax threshold for fuel efficient vehicles ($84,916 in 2022–23).

Where these conditions are met, the FBT exemption will include associated car expenses for that vehicle, e.g., registration, insurance, repairs or maintenance, and fuel costs. Fuel costs will include the cost of electricity to charge and run the vehicle. The ATO is currently preparing a draft practical compliance guideline (Draft PCG) on calculating electricity costs when charging a zero or low emissions vehicle at an employee’s or an individual’s home. The Draft PCG will provide a methodology to enable users of electric vehicles to determine an approximate cost for the electricity when charging an electric vehicle at home.

Note that a home charging station is not a car expense associated with providing a car fringe benefit for electric cars so is not exempt, and if provided will be subject to FBT either as a property fringe benefit or an expense payment fringe benefit.

**Critically, exempt electric cars benefit provided are reportable fringe benefits** and though exempt, the value of the benefit must be worked out and included as part of an employee’s reportable fringe benefit amount (**RFBA**). Employers must work out the notional taxable value of the benefits associated with the private use of the exempt electric car. An employee has an RFBA if the total taxable value of certain fringe benefits provided to them (or their associate) is more than $2,000 in an FBT year. The RFBA must be reported through Single Touch Payroll or on the employee’s payment summary.

The ATO has released [*Electric Cars Exemption*](file:///C:\Users\kbeadle\AppData\Local\Microsoft\Windows\INetCache\Content.Outlook\AJKLP2OI\ato.gov.au\Business\Fringe-benefits-tax\Types-of-fringe-benefits\fbt-on-cars,-other-vehicles,-parking-and-tolls\electric-cars-exemption\#:~:text=You%20do%20not%20pay%20FBT,associates%20(such%20as%20family%20members))which should be reviewed in implementing this for employees.

**COVID-19 note:** The ATO has announced a number of administrative concessions relating to the use of the operating cost method for **the 2022 FBT Year** **but not 2023 FBT Year**. For more information, please refer to **Other FBT aspects: COVID-19 and FBT** above.

## Superannuation

Complying superannuation funds (including benefits paid from such funds) are exempt from FBT as they are concessionally taxed under separate provisions in the income tax law.

The attractiveness of salary packaging additional superannuation contributions has been somewhat diminished by reporting requirements in relation to ‘reportable employer superannuation contributions’ (RESC) in payment summaries. RESC include salary sacrificed amounts and superannuation contributions above the minimum prescribed rate which is currently 10.5%. Salary sacrificed superannuation contributions are included in the income tests used to determine an individual’s eligibility for various tax offsets and/or social security programs such as the Family Tax Benefit, Child Care Benefit, Medicare Levy Surcharge and HELP. These changes apply from 1 July 2009.

The 2022-2023 concessional contributions cap for superannuation contributions made to a complying superannuation fund(s) in respect of a member is $27,500 for all individuals, regardless of age.

## From 13 May 2008 – Eligible Work-Related Items

The following items may be exempt eligible work-related items provided that they are intended to be used primarily in employee’s employment:

* portable electronic device, including laptops, tablets, mobile phones, portable printers and smart watches
* computer software
* protective clothing
* briefcases
* tools of trade.

A laptop may therefore qualify as an eligible work-related item as a portable electronic device and is FBT exempt provided that it is intended to be used primarily for work-related purposes.

An employee can be provided with more than one portable electronic device, provided the items do not have substantially identical functions and are used primarily for work-related purposes.

This exemption is limited to one item per FBT year for items that have a substantially identical function, unless the item is a replacement item.

From 1 April 2016, an employer who is a small business entity is able to provide more than one electronic device to an employee which have substantially identical functions which will be exempt provided the primary work test is met for each device. An entity will be regarded as a small business entity for the 2023 FBT year if it carries on a business and its aggregated turnover is less than $50 million.

Appropriate substantiation must be retained to show that the items are used primarily for work-related purposes.

## Other exemptions include:

* use of employer’s staff amenities
* compassionate travel
* fly-in fly-out arrangements where the work is performed in a remote area in Australia (e.g. on an oil rig)
* costs incurred in respect of travel for employees and future employees in relation to employment interviews and selection tests
* certain long service leave and safety awards
* certain emergency assistance given in respect of health care
* where trainees are engaged under an Australian traineeship system, an exemption is provided in respect of food, drink and accommodation
* food and drink provided for non live-in domestic employees where the employer is a natural person or a religious institution
* food, drink and accommodation provided for live-in help for elderly or disadvantaged persons. There is also an exemption where the person is employed by a religious institution.
* Retraining expenses

## Childcare and recreational facilities

The provision of childcare on the employer’s premises is an exempt residual fringe benefit. Recreational facilities, e.g. gym facilities are also exempt when they are on the employer’s premises. However, instructor led gym classes may not be exempt.

Payment of an external childcare facility priority access fee is an exempt fringe benefit. However, if the employer pays or reimburses the childcare fees, it will be subject to FBT.

Employee share plans

Employee share plans subject to Division 83A of *the Income Tax Assessment Act* *1997* are exempt from FBT. In addition, under Division 83A, if certain conditions are satisfied, the first $1,000 of the discount received will be exempt from tax in the hands of the employee, or the timing of the assessability of any discount on employee share scheme interests can be deferred. Also, from 1 July 2015, additional tax concessions for shares or rights acquired in eligible start-up companies may be available.

Relocation benefits

There are a number of relocation benefits that can be provided, which will be exempt from FBT. For example, relocation transport travel and removal and storage expenses for both the employee and his or her family are exempt benefits.

Costs associated with the sale or purchase of a house are exempt, as well as hotel accommodation and meals in limited circumstances.

Exempt employers

The following types of employers are not subject to FBT:

* religious institutions, where the benefits are provided to religious practitioners engaged in pastoral duties
* international bodies: any benefits provided by organisations covered by the International Organisations (Privileges and Immunities) Act 1963 or granted an exemption by an international agreement to which Australia is a party.
* employers to which diplomatic and consular immunities apply.

$1,000 exemption

Concessional valuation rules apply to in-house property, residual and expense payment fringe benefits. The first $1,000 of the aggregate of the taxable values of certain ‘in-house’ fringe benefits given to an employee each year are exempt from FBT.

This exemption does not apply where the benefit is provided under a salary packaging arrangement.

Minor benefits

Where a benefit is provided that is minor, infrequent and irregular and the taxable value is less than $300 (including GST), it will be exempt from FBT. For a benefit to be considered a minor benefit (refer to Taxation Ruling TR 2007/12), attention must be given to:

* the frequency and regularity with which similar or identical benefits are provided
* the sum of the value of identical or similar benefits provided in the year
* the circumstances in which the benefits are provided, i.e. whether they are provided as a reward for services.

# Appendix A

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Summary of entertainment deductibility and FBT treatment for taxable employers | | | | |
| **Location** | **Nature of expenditure** | **Attendee** | **Tax deductible** | **FBT payable** |
| Employer premises but not in an ‘in-house dining facility’. | Non-entertainment\* | Employee | Yes | No\*\* |
|  | Client | Yes | No\*\* |
| Entertainment | Employee | No\*\* | No\*\* |
|  | Client | No | No |
| Entertainment | Employee (social occasions) | No\*\* | No\*\* |
| Employer premises in an ‘in-house dining facility’ – an area set aside wholly or principally for provision of food and drink to employees on a working day, such as a cafeteria. | Non-entertainment\* | Employee | Yes | No\*\* |
|  | Client | Yes# | No |
| Entertainment | Employee | Yes | No\*\* |
|  | Client | Yes# | No |
| Entertainment | Employee (social occasions) | No\*\* | No\*\* |
| Non-employer premises such as a restaurant or reception centre. | Non-entertainment  (meals taken whilst travelling) | Employee | Yes | No |
| Entertainment | Employee | Yes | Yes |
|  | Client | No | No |
| Entertainment | Employee (social occasions) | Yes | Yes |
| \* Non-entertainment includes morning and afternoon teas, light meals but excludes alcohol and elaborate meals.  \*\* ‘No’ only applies if entertainment consists of food and drink provided on working days to employees: otherwise read as ‘Yes’.  # The amount of expenditure relating to the client will only be deductible to the employer where the amount of $30 per client is added back to the employer’s taxable income and the food and drink is not provided at a party, reception or other social function. | | | | |

# Appendix B

**FBT**

**Internal and external entertainment**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| FBT year ending 31 March | | | Name of client: | | | | | | | | |
| 1 | 2 | 3 | | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Date | Venue/Type of function | \* Cost of function  $ c | | No. of employees and associates | No. of clients / customers | Total no. attended  (4 + 5) | Cost per head  (3/6) | Non-deductible entertainment  $ c  (5 \* 7) | Deductible entertainment  $ c  (4\*7) | Total entertainment  $ c | FBT taxable value  $ c |
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\* Includes travel, meals and entertainment