

Fringe Benefits Tax

TIPS & TRAPS



What Fringe Benefits Tax is

Fringe Benefits Tax (FBT) is separate from income tax. It is a tax paid on certain benefits provided to employees or employees' associates, because of the employee's employment. Employees' associates are typically their family members.

The employer must self-assess their FBT liability for the FBT year (1 April to 31 March) and lodge an FBT return by 21 May each year.

What a Fringe Benefit is

A fringe benefit is a benefit provided to an employee (or their associate) because that person is an employee. Benefits can also be provided by a third party under an arrangement with the employer. An employee can be a current, future or former employee.

If you are a director and run your business through a company, you may be regarded as an employee of that company. This may mean that fringe benefits provided to yourself result in your company having FBT obligations.

Examples of fringe benefits include:

- Allowing an employee to use a work car or other vehicle for the employee's own private purposes (including taking the car home overnight)
- Giving an employee a cheap or interest free loan
- Paying an employee's private health insurance, children's school fees or giving them tickets to sporting events or other entertainment

Example: Car fringe benefit

Michelle is the director and an employee of a company. The company owns and operates a bakery and has a car which is used for deliveries. Michelle is allowed to take the car home on the weekends. She uses the car on the weekends for her own private use, such as going grocery shopping and taking her children to and from sporting activities. The company is providing Michelle with a fringe benefit.

Paying FBT

Employers pay FBT, even if the benefit is provided by an associate or by a third party under an arrangement with the employer. For example, if a supplier of goods to a business provides goods or services to their employees for free or at a reduced cost under an arrangement with them as the employer, then it is the business owner who is liable for any FBT owing.

In most cases, employers can claim an income tax deduction for the cost of providing the fringe benefit and

for any fringe benefits tax they pay as a result.

There are ways of reducing the amount of FBT payable, including requiring the employees of a business to make an "employee contribution" payment back to the business to reduce the value of a fringe benefit.

Obligations if a business provides fringe benefits

1. Calculate how much FBT a business has to pay. Employers must self-assess and calculate how much FBT they must pay each FBT year.
2. Keep the necessary FBT records. The FBT law requires employers to keep certain records relating to the fringe benefits they provide
3. Register for FBT. We recommend employers register once they establish that they must pay FBT.
4. Report fringe benefits on employee payment summaries. Employers must report certain fringe benefits on employees' payment summaries. Employers using Single Touch Payroll (STP) will find that their payroll software will prompt them to enter this information once a year prior to finalising year end payroll.

Lodge an FBT return and pay FBT to the Tax Office. A FBT return covering the FBT year, which runs from 1 April to the following 31

March should be lodged by 21 May each year.

Reportable Fringe Benefits

You need to show the Reportable Fringe Benefits amount for your employees for the income year 1 July 2020 to 30 June 2021 on their employee's:

- Income Statement through ATO online services in myGov; or
- Payment Summary.

The amount recorded is the grossed-up taxable value of the reportable benefits provided in the previous FBT year of 1 April 2020 to 31 March 2021. **It needs to be included in your Single Touch Payroll (STP) end of year finalisation Declaration.**

WANT TO KNOW MORE?

This article is general information only and doesn't constitute specific advice for your business. For more information on introducing salary packaging initiatives contact us today and avoid these expensive traps with our **smart** advice.

FIRM NAME

a 1st Floor 1A Garnet St, Cooroy 4563
p 07 5442 6679
e reception@spvaccounting.com.au