



XOACCOUNTING

UNDERSTANDING FRINGE BENEFIT TAX

Fringe benefit tax (FBT) is a tax you pay on most non-cash benefits you provide to your employees.



WHO NEEDS TO PAY FBT?

If you're an employer and you provide benefits to your employees other than their salary or wage and certain exemptions, you might need to pay FBT.



WHAT IS FBT?

FBT was introduced to tax these non-cash benefits (fringe benefits), while the cash benefits (e.g., salary) get taxed through income tax.

TIP: You need to register for FBT when you first start giving your employees, shareholders, or other people associated with your business, a fringe benefit.



WHAT TO DO ONCE YOU'RE REGISTERED

- Find out about the rules for the fringe benefits you provide
- Choose a filing frequency, yearly or quarterly depending on type of FBT, amount payable
- Choose a FBT rate and use it to calculate the FBT on the fringe benefit
- File FBT returns and pay FBT by the due date



TYPES OF FRINGE BENEFITS

1. Free, subsidised or discounted goods and services

You can provide up to differing amounts, depending on fringe benefit type of free, subsidised or discounted goods and services per employee per quarter without having to pay FBT.



2. Motor vehicles available for private use

You pay FBT on vehicles made available to: employees (and their associated persons), and shareholders.

Sole traders and partners in a partnership don't pay FBT on business vehicles they use. Instead they make income tax and GST adjustments for private use.



3. Low Interest Loans

If you provide a loan to an employee at less than either the prescribed rate of interest or market rate of interest you'll need to pay FBT.

However, you don't need to pay FBT if the loan is available to the general public for less than the prescribed rate of interest or market rate of interest.

4. Employer contributions to funds, insurance and superannuation schemes.

Employers have to pay FBT on contributions make to:

- sickness, accident or death benefit funds
- friendly society insurance funds
- life, pension, personal accident or sickness insurance policies
- superannuation schemes where employer superannuation contribution tax (ESCT) doesn't apply
- funeral trusts.



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