



ISSUES & ANSWERS

FRINGE BENEFITS TAX

Fringe Benefits Tax (FBT) is a separate tax to income tax. It taxes non-cash benefits provided in respect to employment.

1. The tax is paid by employers and not employees. Where an employee contributes towards the cost of the fringe benefit, the lower the fringe benefit will become and hence the lower the tax imposition had no cash contribution been made.
2. The following sample of provided benefits are taxable:

Passenger type motor vehicles available for private use	Entertainment	Loans at subsidised rates
School fees		Housing.
3. The following sample of benefits are exempt:
 - Work related items such as a mobile telephone, computer
 - Relocation expense
 - Pre-employment medical assessment
 - Child minding on employer's premises.
4. The tax paid is a tax deductible separate expense.
5. The employer must obtain and keep statutory documents.
6. How is the amount of tax determined?
 - (a) Establish the taxable value of each benefit
 - (b) Aggregate the fringe benefit amount and "gross up"
 - (c) Charge 48.5% to obtain tax payable.
7. Car Fringe Benefits
 - Statutory Formula Method is dependent on the total kilometres travelled in a year.
 - The greater the total distance travelled, the lower the taxable value.

Kilometres annualised	Statutory Fraction
<15000	.26
15000-24000	.20
25000-40000	.11
>40000	.07

The operating cost method considers days for private use and employees contributions. Where the car has been held for four years at the beginning of the fringe benefits year, the value of the car is reduced by one third.

A log book must be maintained every five years to calculate under the statutory formula.