Car fringe benefits tax

Fast facts

Fringe benefits

A fringe benefit is a 'payment' made to an employee or their associate, but in a different form to salary or wages. It is provided "in respect of employment". An associate of an employee includes their partner, spouse, child or other relative. Benefits provided to volunteers and contractors are not considered fringe benefits.

Car fringe benefits

If there is a car that is held by an employer and is being provided to an employee for their private use – a car fringe benefit is being provided.

A 'car' for fringe benefits tax purposes is defined as: a vehicle designed to have a goods carrying capacity of less than 1 tonne or a passenger capacity of fewer than nine people.

There are two methods to calculate your fringe benefits tax obligation: operating cost method or statutory formula method.

These methods have differing record keeping requirements.

Generally speaking, depending on your business circumstances, the operating costs method will result in a lower car FBT obligation.

The ATO FBT car calculator tool will help you calculate the value of the fringe benefit.

Fringe benefits tax obligations

If you provide an expense payment fringe benefit you will need to:

- keep certain records
- be registered for FBT
- lodge an FBT return and
- pay FBT.

Reducing your FBT liability

There are four ways to reduce your fringe benefit tax liability; by:

- providing a cash bonus
- using employee contributions
- providing benefits that are income tax deductible rule
- providing benefits that are exempt from FBT.

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