Fringe benefits tax: exempt minor benefits

Fast facts

A fringe benefit is like a payment to an employee, but in a different form to salary or wages. Car parking facilities for an employee or paying an employee's gym membership are both examples of fringe benefits. When providing a fringe benefit, employers may be required to pay fringe benefits tax (FBT).

Not all employee benefits are fringe benefits. Some benefits receive concessional treatments or are already determined to be exempt from FBT.

Other types of benefits called **exempt minor benefits** are exempt from FBT because they meet certain criteria.

A minor benefit is exempt from FBT where it is both:

- less than $300 in notional taxable value, and
- unreasonable to treat it as a fringe benefit.

The following steps will help you determine if it is unreasonable to treat a minor employee benefit as a fringe benefit, which would make it exempt from FBT:

Step 1: Is the notional taxable value of the benefit less than $300?

The notional taxable value is the value of the benefit if it was taxable. If you have a benefit under $300, it isn't automatically exempt from FBT because you need to consider 5 more criteria.

Step 2: Consider the 5 criteria for exempt minor benefits

1. The frequency or regularity of the benefit. How frequently and regularly do you provide the benefits to your employee and are the benefits identical or similar to the minor benefit you have provided?
2. The total notional taxable value of the benefit and similar benefits. How much does the minor benefit cost (notional taxable value) and is the benefit identical or similar to other benefits you provide?
3. The total notional taxable value of other connected (other associated) benefits. Are benefits connected to the minor benefit you're providing and, if so, what is the total cost (notional taxable value) of these connected benefits?
4. Difficulties working out the value of the benefits. Is it difficult for you to determine the value of the minor benefit and any associated benefits, and how hard is it for you to keep records of this?
5. The circumstances in which the benefits are provided. What is the reason you're providing the minor benefit or any associated benefits to the employee?

Step 3: Determine if the exempt minor benefit applies

After considering the 5 criteria, if you decide it's unreasonable to treat the benefit as a fringe benefit, the exempt minor benefit applies. If it's an exempt minor benefit, you don't need to report or pay FBT for this benefit.

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