Expense payments 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.

Expense payment fringe benefits

Expense payment fringe benefits may arise when an employee incurs expenses and the employer either:

- reimburses them for the expense, or
- directly pays a third-party for the expense.

The expense needs to be incurred by the employee and can be a business or private expense, or a combination of both. Expense payment fringe benefits may also arise when expense payment benefits are provided to an associate of the employee.

Example expense payment fringe benefits

Expense payment fringe benefits may include the payment or reimbursement of:

- car expenses (e.g. registration and insurance)
- car parking (if you do not provide the car parking facilities)
- home mortgage
- home/desktop computer, home telephone and internet
- employee personal credit card payments
- health insurance premiums
- self-education expenses.

What are not fringe benefits

The following are not fringe benefits:

- salaries and wages
- employer contributions to superannuation funds
- employer termination payments
- shares purchased under approved employee share acquisition schemes
- payments of dividend amounts
- benefits provided to volunteers and contractors
- cash bonuses
- exempt benefits, such as certain benefits provided by religious institutions to their religious practitioners.

Exemptions – expense payment fringe benefits

There are exemptions for certain expense payment benefits. These are examples of payments that are not expense payment fringe benefits:

- Taxi travel
- Portable electronic devices
- Computer software
- Protective clothing
- Briefcases
- Tools of trade.

Fringe benefits tax obligations

If you provide an expense payment fringe benefit, you 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. You may reduce it 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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