

2026 FRINGE BENEFITS TAX INFORMATION BOOKLET

FOR THE YEAR ENDED 31 MARCH 2026
AN INFORMATION BOOKLET FOR KSR CLIENTS



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FRINGE BENEFITS TAX – AN OVERVIEW

WHAT IS A FRINGE BENEFIT?

In broad terms a fringe benefit is a 'payment' to an employee, but in a different form to salary and wages.

According to the FBT legislation, a fringe benefit is a **benefit**, which is provided in respect of **employment**. Both of these terms have broad meaning for FBT purposes.

Benefit includes any right, privilege, service or facility. So, a benefit could be:

- providing somebody with the use of something, e.g. the use of a car, house or equipment
- giving somebody ownership of something, e.g. a uniform
- permitting somebody to enjoy a privilege or facility, e.g. a cheap loan or private expenses paid
- providing somebody with a service, e.g. use of skill or labour

A benefit provided in respect of **employment** effectively means a benefit provided to someone because he or she is an employee. If you are conducting your business through a company or trust structure, then you may be an employee of the company or trust. A benefit may also be provided to another person on behalf of the employee (e.g. a relative)

WHO PAYS THE TAX?

The employer pays the FBT.

The employer irrespective of whether the employer is a sole trader, partnership, trustee or company pays FBT. The tax is also payable whether or not the employer is liable to pay other taxes such as income tax.

Generally, employers may claim as an income tax deduction the cost of providing fringe benefits and the amount of FBT paid.

HOW IS THE AMOUNT OF TAX DETERMINED?

Where taxable fringe benefits have been provided to employees, there are some separate and distinct steps involved in establishing the amount of the employer's FBT liability.

In brief these are:

STEP 1: establish the taxable value of each of the individual fringe benefits provided to each employee,

STEP 2: obtain the aggregate fringe benefit of amounts which gives rise to GST input tax credits and those where the credit is not assessable to the employer,

STEP 3: obtain the fringe benefits taxable amount by 'grossing-up' the aggregate fringe benefit amounts by the relevant rate,

STEP 4: calculate the amount of tax payable as a percentage of the fringe benefits taxable amount

FEATURES OF FBT

THE FBT YEAR

The FBT year is the 12 months beginning 1st April and ending 31st March.

RATE OF TAX

For the FBT year ended 31st March 2026 the FBT rate is 47%.

ANNUAL RETURN

The annual return for FBT must be lodged with the Tax Office by 21st May each year.

The annual return form requires you to provide brief details of the benefits provided, including the different categories of benefits provided, the total taxable value of each category, and the total of employee contributions in each category.

ASSESSMENTS

The Tax Office does not usually issue notices of Fringe Benefits Tax assessed. This is because the assessment of FBT occurs on lodging of the return under the self-assessment regime and therefore any errors or omissions are a misstatement of fact subject to fines and penalties.

The onus in self-assessment is on the taxpayer and not on the Tax Office. It is accepted that the documentation supporting FBT is demanding, however many taxpayers are faced with the reality of paying additional FBT plus fines and penalties because they just don't complete documentation.

RECORD-KEEPING REQUIREMENTS

There is a general requirement that employers must keep sufficient records to enable their FBT liability to be assessed. These records must be kept for 5 years from the date of the relevant transaction.

There are also specific record-keeping requirements that must be satisfied if the employer wishes to take advantage of various exemptions or concessions which reduce the employer's liability to fringe benefits tax. These documents will need to be retained for 5 years from when the relevant FBT return is lodged.

They include:

- all documents which the employer is required to obtain from the employee, such as declarations, invoices and/or receipts, travel diaries, copies of logbooks, odometer records, and
- where the benefit is a car fringe benefit which is valued under the operating cost method, the logbook records and odometer records

TYPES OF FRINGE BENEFITS

1. CAR FRINGE BENEFITS

A car fringe benefit commonly arises when a car, which is owned or leased by an employer, is made available for the private use of an employee.

A car is taken to be made available for private use by an employee on any day that:

- it is used for private purposes by the employee, or
- that car is not at the employer's premises, and the employee is allowed to use it for private purposes, or
- the car is garaged at an employee's home, regardless of whether or not the employee has permission to use it privately.

As a general rule, travel to and from work is private use of a vehicle.

Private use of a motor vehicle, which is not a car, may give rise to a residual fringe benefit (e.g. motor bike)

The following types of vehicles (including four-wheel drive vehicles) are cars:

- panel vans and utilities designed to carry less than one tonne, motor cars, station wagons
- any other goods-carrying vehicle designed to carry less than one tonne
- any other passenger carrying vehicle designed to carry less than 9 occupants

The taxable value of a car fringe benefit may be calculated by either of the following methods:

THE STATUTORY FORMULA METHOD

The taxable value of the car fringe benefit is a percentage of the car's value. This percentage varies with the total distance travelled by the car during the FBT year regardless of whether or not it is private travel. The greater the distance travelled, the lower will be the taxable value.

The following rates are used to calculate the taxable value of fringe benefits using the statutory method:

FOR EXISTING CONTRACTS ENTERED INTO BEFORE 10TH MAY 2011

Total Kilometres travelled in FBT Year	Statutory Rate
0 to 14,999km	26%
15,000 to 25,000km	20%
25,000 to 40,000km	11%
Over 40,000km	7%

FOR VEHICLES PURCHASED OR RE-FINANCED AFTER 10 MAY 2011

Total Kilometres travelled in FBT Year	Statutory Rate
0 to 14,999km	20%
15,000 to 25,000km	20%
25,000 to 40,000km	20%
Over 40,000km	20%

THE OPERATING COST METHOD

The taxable value of the car fringe benefit is a percentage of the total costs of operating the car during the FBT year. The percentage varies with the extent of actual private use. The lower the incidence of actual private use, the lower will be the taxable value.

The operating cost method takes into account deemed and actual operating costs. Deemed operating costs are interest and depreciation.

The actual operating costs are those expenses incurred in respect of:

- repairs and maintenance, but not crash repair expenses met by an insurance company or another person legally responsible for the damage,
- fuel
- registration and insurance
- leasing costs if the car is leased rather than owned.

To ascertain the percentage of business use of a particular car, and to substantiate that percentage of business use, certain requirements must be met. These include the keeping of logbook and odometer readings.

ELECTRIC VEHICLE HOME CHARGING RATE

Employers with FBT obligations and individuals with work-related car expenses can choose to calculate electricity costs when charging electric vehicles at an employee's or individual's home using the methodology outlined in the Practical Compliance Guideline PCG 2024/2 where they meet the eligibility requirements outlined in the PCG.

For the FBT year starting on or after 1 April 2022, the EV home charging rate in the PCG is 4.20 cents per kilometre.

If you choose not to use the method in the PCG, or you do not meet the eligibility requirements (for example because the vehicle is a plug-in hybrid with an internal combustion engine), you can determine the cost of the electricity by calculating its actual cost.

The choice is per vehicle and applies for the whole income or FBT year.

2. EXPENSE PAYMENT FRINGE BENEFIT

An expense payment fringe benefit may arise in either of two ways. The first is where an employer reimburses an employee for expenses incurred by the employee. The second is where an employer pays a third party in satisfaction of expenses incurred by the employee. In either case, the expenses may be business expenses, private expenses or a combination of both e.g. home telephone.

3. LOAN FRINGE BENEFITS

A loan fringe benefit arises from a loan to an employee or an associate of an employee on which a low rate of interest (or no interest) has been charged during the FBT year. A low rate of interest is one that is less than the statutory rate of interest.

For the FBT year ended 31st March 2026, the statutory **rate is 8.62%**.

The use of the term 'loan' is quite broad. For example, if an employee owes a debt to an employer but the employer doesn't enforce payment after the debt becomes due, then the unpaid amount is treated as a loan to the employee.

4. DEBT WAIVER FRINGE BENEFIT

A debt waiver fringe benefit is the waiving or forgiving of an employee or associate of an employee's debt. For example, if an employer who has sold goods to an employee later tells the employee not to bother about paying the amount invoiced for them, then the employer has provided a debt waiver fringe benefit.

5. MEAL ENTERTAINMENT FRINGE BENEFIT

An employer may elect to determine the taxable value of 'meal entertainment' provided to employees and their associates by either of three methods.

They are:

1. Actual record method - A breakup of the entertainment expenses will be made on a 'per head basis' from every receipt during the FBT year, e.g. did the employee have a desert?
2. 50/50 Spilt method - This method is based on 50% of the employer's total meal entertainment expenditure regardless of whether the recipient is an employee or not.
3. Logbook method - The 12 week register method is also based on the employer's total meal entertainment expenditure but takes into account an appropriate percentage of employee participation as evident from the 12 week register.

The following table summarises the interaction between a deduction for income tax purposes and FBT liability for the provision of meals

RESTAURANT MEALS			
Venue	Participant(s)	Meal	Tax Result
Restaurant	Employee	Lunch	Deduction & FBT
	Client	Lunch	No deduction and no FBT
	Self-employed	Lunch	No deduction and no FBT
Restaurant while travelling	Employee alone	Full meal	Deduction and no FBT
	Employee with: Employee Client	Full meal	Deduction and FBT
		Full meal	No deduction and no FBT
Employee with: Spouse 2 employees	Full meal Full meal (not extending beyond 'normal sustenance')	Deduction and FBT Deduction and no FBT	

WORKING LUNCHES			
Venue	Participant(s)	Meal	Tax Result
Working lunch (Boardroom or Meeting Room)	Employee	Refreshments: - Finger food - No alcohol	Deduction and no FBT
	Self-employed		
	Client		
Working lunch (Boardroom or Meeting Room)	Employee	Lunch with alcohol	No deduction and no FBT
	Self-employed		
	Client		

FUNCTIONS			
Venue	Participant(s)	Meal	Tax Result
On business premises (Working days)	Employee Self-employed	Refreshments: - food and/or alcohol	No deduction and no FBT
Outside business premises	Employee Self-employed Clients	Refreshments: - alcohol, food and entertainment	Deduction and FBT No deduction and no FBT

6. HOUSING FRINGE BENEFIT

If an employee is provided with the right to use a unit of accommodation and if that unit of accommodation is the usual place of residence of the employee, then the right to use the unit of accommodation is a housing fringe benefit.

A unit of accommodation includes:

- a house, flat or apartment
- accommodation in a hotel, motel, guesthouse, bunkhouse or other living quarters
- a caravan or mobile home, or
- accommodation in a ship or other floating structure

7. BOARD FRINGE BENEFIT

The provision of a meal to an employee is a board fringe benefit if the employee is entitled to the provision of accommodation (for example, in an employment contract or under an industrial contract) and the following conditions are satisfied:

- there is an entitlement under an industrial award to provided with at least two meals a day, or under an employment arrangement at least two meals a day are ordinarily provided
- the meal is supplied by the employees' employer
- the meal is cooked or prepared on the employer's premises or on a work site or place adjacent to a work site
- the meal is supplied on the employer's premises

Meals supplied to family members living with an employee who is entitled to meals under the employment agreement or award are also treated as board meals, which are subject to valuation under these rules

8. LIVING-AWAY-FROM-HOME ALLOWANCE FRINGE BENEFIT

For FBT purposes a living away from home allowance is an allowance paid by an employer to an employee who is intended to compensate for additional expenses incurred and disadvantaged suffered because the employee is required to live away from home in order to perform his or her duties of employment.

9. PROPERTY FRINGE BENEFIT

A property fringe benefit arises when an employee is provided with property, free or at a discount, by an employer.

For FBT purposes, property includes:

- all goods, including gas and electricity and animals
- real property such as land and buildings
- chooses in action such as shares or bonds

10. CAR PARKING FRINGE BENEFIT

Broadly, a car parking fringe benefit may arise when an employer provides car parking facilities for an employee at or near his or her place of employment and there is a commercial parking station available for all day parking within a 1-kilometre radius of the premises on which the car is parked.

The commercial parking station must at the beginning of the FBT year, charge a fee for all day parking (at least 6 continuous hours between 7am and 7pm) that is more than the car parking threshold in FBT year ended 31st March 2026 of \$11.03 per day

11. RESIDUAL FRINGE BENEFIT

As mentioned earlier, the term 'benefit' has a very broad meaning. It includes any right, privilege, service or facility.

Any fringe benefit that is not subject to any of the above is called a residual fringe benefit. A residual fringe benefit could include, for example, travel or the performance of professional or manual work.

As mentioned previously, the private use of an employer's motor vehicle other than a car e.g. a motor bike is also subject to FBT as a residual fringe benefit. The taxable value of such a benefit can be calculated using either the actual cost of the benefit or the statutory formula based on the number of private kilometres travelled. On a cents-per-kilometre basis the following rates can be used for the FBT year ended 31st March 2026

MOTOR VEHICLE (OTHER THAN A CAR) CENTS PER KILOMETRE RATE

Engine Capacity	Rates per Kilometre
0 to 2,500cc	69.0 cents
2,500cc & over	80.0 cents
Motorcycles	20.0 cents

EXEMPT BENEFITS

With a view to reducing the burden placed on businesses to maintain adequate records associated with FBT, the Federal Government has a number of measures to assist with the reduction in employer's compliance costs.

If an employer provides the following benefits on behalf of their employees, these benefits will no longer attract FBT. Consequently, no records are required to be maintained to substantiate the benefit received by the employee.

These exemptions include:

- after hours taxi travel / a single taxi trip beginning or ending at the employee's place of work / taxi trip arises as a result of sickness or injury to the employee.
- Work related portable electronic devices (including laptops, PDA's, mobile phones etc.) which are primarily used for employment
- electronic diaries and similar items
- printers that are designed for use with portable computers
- protective clothing required for employment
- work related computer software, briefcases, calculators, tools of trade (one item per FBT year for items that are basically the same, unless the item is a replacement item).
- subscriptions to trade and professional journals
- benefits of less than **\$300** (GST inclusive) that are irregular, infrequently provided and/or difficult to record and value.

NB: It should be noted that certain exemptions do not apply to benefits provided to an associate of an employee.