



Australian Government
Australian Taxation Office

Expense payment fringe benefits guide for small business employers



If you are an employer and you pay or reimburse your employees' expenses, you may be providing an expense payment fringe benefit. Employers that provide these benefits must pay fringe benefits tax (FBT). FBT is separate to other taxes, such as income tax or goods and services tax (GST).

Key points

- Work out if you are providing an expense payment fringe benefit
- Exemptions – expense payment benefits exemptions
- Calculate your FBT
- Keep records

i What you need to know

- Expense payment fringe benefits may arise when an employee incurs expenses and the employer either reimburses them or pays a third-party for the expense.
- Expense payment fringe benefits may also arise when expense payment benefits are provided to an associate of the employee.
- There are exemptions for certain expense payment benefits.
- If you provide an expense payment fringe benefit, you will need to keep certain records.
- If you provide an expense payment fringe benefit, you will need to be registered for FBT, lodge an FBT return and pay FBT.
- You must calculate the 'taxable value' of the fringe benefit. This will depend on the specific benefit you are providing.
- You must keep records that show the taxable value of each fringe benefit.



Work out if you are providing an expense payment fringe benefit

To work out if an expense payment fringe benefit is being provided, consider the following.

Question 1: Does an employer/employee relationship exist?

Note: Only a person who receives, or is entitled to receive, salary or wages is an 'employee' for FBT purposes. FBT does not apply to contractors or volunteers.

✔ **Yes**, go to question 2.

✘ **No**, then you aren't providing an expense payment fringe benefit.

Question 2: Was the expense incurred by the employee?

Note: An 'expense' can be a business or private expense, or a combination of both.

✔ **Yes**, go to question 3.

✘ **No**, then you are not providing an expense payment fringe benefit.

Question 3: Are you paying for or reimbursing your employee for the expense?

✔ **Yes**, go to question 4.

✘ **No**, then you are not providing an expense payment fringe benefit.

Question 4: Is the expense payment benefit exempt?

✔ **Yes**, then you are not providing an expense payment fringe benefit.

✘ **No**, then you are providing an expense payment fringe benefit.



What are 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.

An associate of the employee, includes their:

- parent
- grandparent
- brother or sister
- spouse
- uncle or aunt
- nephew or niece
- child.

Examples

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 complying 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 benefits

There are exemptions for expense payment benefits.

Common exemptions include:

- portable electronic devices – if the items are primarily for use in the employee's employment.
 - This exemption is limited to one item per FBT year, unless it's a replacement item.
 - Small businesses can provide their employees with more than one work-related portable electronic device each FBT year.
- computer software
- protective clothing
- briefcases
- tools of trade
- taxi or ride-share travel – if the travel is a single trip, beginning or ending at the employee's place of work. However, it does not include travel in a limousine.



Calculate your FBT

To calculate your fringe benefits tax, you must work out the 'taxable value' of the fringe benefit provided.

You will need to consider scenarios that reduce the taxable value of a benefit you provide.

Reducing the taxable value of expense payment fringe benefits

There are three ways to reduce the 'taxable value' of the expense payment fringe benefit:

- ✓ employee or recipient contribution
- ✓ otherwise deductible rule
- ✓ concessional treatments

Employee or recipient contribution

Employee or recipient contribution occurs when an employee pays you as a contribution towards the cost of providing the benefit.

The taxable value of that fringe benefit is then reduced by the amount of the employee payment.



Example 1: Employee or recipient contribution

Your employee Sarah buys a desktop computer.

The total cost of the computer is \$3,500.

You pay, or reimburse, the full purchase price of \$3,500 – the taxable value is \$3,500.

Sarah pays you \$2,000 towards the actual benefit.

The taxable value of \$3,500 may be reduced by \$2,000.

The taxable value is $\$3,500 - \$2,000 = \$1,500$.

Otherwise deductible rule

Otherwise deductible rule can be used when you've paid for or reimbursed your employee for an expense which they could have otherwise claimed as a full or part deduction in their personal income tax return.

The taxable value of an expense payment fringe benefit may only be reduced under this rule, if:

- the recipient of the benefit is your employee, not an associate of your employee
- the employee incurred expense while performing employment-related duties. The expense can be for a combination of business and private use.



Example 2: Otherwise deductible rule

Scenario 1:

Your employee incurred an expense that was part employment-related and part private, such as home telephone and internet expenses.

- Expense payment: Home telephone and internet = \$100
- Employee's expenditure: 70% private and 30% employment-related
- Employer reimburse employee: 100% of the expenditure = \$100
- Otherwise deductible rule applies to 30% of the expenditure = \$30
- Taxable value of \$100 may be reduced by \$30
- Taxable value is $\$100 - \$30 = \$70$

Scenario 2:

Your employee incurred an expense solely in performing employment-related duties.

- Expense payment: \$50 train fares
- Employee's expenditure: 100% employment-related
- Employer reimburses employee: 100% of the expenditure
- Otherwise deductible rule applies to 100% of the expenditure = \$50
- Taxable value of \$50 may be reduced by \$50
- Taxable value is $\$50 - \$50 = \$0$

Concessional treatments

Several less common expense payment fringe benefits attract concessional treatments that reduce the taxable value, these include relocation transport – when transport is by employee's car or overseas employment holiday transport. You must have the appropriate records to show how you calculated the taxable value.

See also:

- [FBT exemptions and concessions](#)
- [Fringe benefits tax – a guide for employers](#)



Register for FBT

We recommend employers register for FBT once they have an FBT liability.

There are a few ways to register:

- online – if you already have an ABN ([register at business.gov.au](#))
- phone
- registered tax agent
- paper form, 'Application to register for FBT'.

Lodge and pay FBT

Once the FBT year ends, use your records to calculate your FBT.

If you have an FBT liability, you must lodge an FBT return.

FBT returns and payments are due by:

- 21 May – if you prepare your return yourself or use a tax practitioner who lodges by paper
- 25 June – if you use a tax practitioner who lodges electronically.

You may need to record reportable fringe benefits on your employee's payment summary or through Single Touch Payroll.

If you do not need to lodge an FBT return for the year, you must complete an 'FBT – notice of non-lodgment' form. This will let us know that you have not forgotten your obligation, but rather that you have assessed your position and do not need to lodge.

Next steps:

- [How to lodge your FBT return](#)
- [How to pay](#)



Keep records

You must keep certain records to support any claims and calculations you make.

Records you will need to keep will depend on the type of expense payment fringe benefit.

Records must show the taxable value of each fringe benefit provided to each employee.

For example:

- invoices
- receipts
- travel diaries
- employee declaration
- expense payments – no private use declaration.

If your employee has contributed to an expense payment fringe benefit, they need to provide you with documentary evidence of the expense. For example, receipts, invoices or a declaration.

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