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## **FINANCIAL FACTS**

### **FRINGE BENEFITS TAX**

Fringe Benefits Tax (FBT) taxes non-cash benefits provided in respect to employment. It is a separate tax to income tax and has the following features:

1. FBT is paid by employers and not employees. If an employee contributes towards the cost of the fringe benefit it reduces the cost of the benefit and the amount of the fringe benefit tax.
2. The FBT is determined as follows:
  - a) Establish the taxable value of each benefit;
  - b) Aggregate the fringe benefit amount and “gross up” by the appropriate factor;
  - c) FBT is levied at 46.5% of the grossed up amount.
3. The FBT paid is a tax deductible expense for the employer.
4. The employer must obtain and keep the statutory documents to substantiate the amount.
5. The following are examples of benefits that are fully taxable:  
Loans at subsidized rates, Housing, Entertainment, School fees, Expense payment benefits
6. The following are examples of benefits that are exempt from FBT:
  - Work-related items such as mobile phones and lap-top computers under the “otherwise deductible” rule
  - Other items which can be claimed as a deduction under the “otherwise deductible” rule
  - Relocation expenses
  - Pre-employment medical assessment
  - Child minding on the employer’s premises

7. Car fringe benefits may be taxed under 2 separate methods:

**Statutory Formula Method**

Under this method the greater the total distance traveled the lower the taxable value

Annualised Kilometres	Statutory Fraction
0 to 14,999	26%
15,000 to 24,999	20%
25,000 to 40,000	11%
40,001 +	7%

Kilometres traveled each FBT year (1 April to 31 March) must be recorded

**Operating Cost Method**

This method requires the keeping of a log-book to calculate private usage.

Under both methods the value of the car is reduced by a third after 4 years.

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