



Exemptions, concessions and other ways to reduce FBT

Find out what FBT exemptions and concessions you can use. Reduce your FBT through alternatives such as cash bonuses.

Reducing your FBT liability

How to reduce your FBT by using alternatives to fully taxable fringe benefits or providing concessional benefits.

Work-related items exempt from FBT

Check which work-related items are exempt from FBT, such as portable electronic devices and tools of trade.

Minor benefits exemption

Work out if you can apply the minor benefits exemption to a benefit.

Taxi, ride-sourcing and public transport exemptions

Travel by your employees in taxis to or from the workplace, or on public transport you operate, may be exempt from FBT.

Emergency assistance

FBT exemptions for emergency assistance including first aid, emergency supplies and temporary repairs.

Retraining and reskilling exemption

Check if you can claim an FBT exemption for retraining and reskilling redundant employees, redeployment or job seeking.

Contributions to approved worker entitlement funds

Check if contributions for employee long service leave, sick leave or redundancy payments are exempt from FBT.

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Reducing your FBT liability

How to reduce your FBT by using alternatives to fully taxable fringe benefits or providing concessional benefits.

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Providing benefits that would be deductible for the employee

You don't incur a fringe benefits tax (FBT) liability if you give an employee a benefit they would have been able to claim as an income tax deduction if they themselves had paid for it. This is called the 'otherwise deductible' rule.

If only a proportion of the expense would have been deductible for the employee, you reduce the value of the fringe benefit by the proportion that would have been deductible.

You can either:

- get a declaration from the employee that states the extent to which the cost is deductible
- use FBT alternative record keeping where the Commissioner has made a determination by legislative instrument instead of getting an employee declaration.

Keep the employee declaration with your business records. You don't need to send it to us.

Example: substantiating reduction with employee declaration

Meghan is a real estate agent employed by AbRealty.

She often works from home, using her home internet service to connect to the office or update listings. She estimates that 40% of her home internet usage is work related. The remainder is private use.

AbRealty reimburses Meghan for the full cost of her home internet service.

Meghan gives her employer a *Recurring expense payment fringe benefit declaration* covering the entire FBT year. The declaration states that 40% of the cost of her home internet service would be income tax deductible for her if she paid for it.

AbRealty:

- uses the 'otherwise deductible' rule to reduce the taxable value of the fringe benefit by 40%
- pays FBT on the remaining 60% of the fringe benefit
- can claim
 - a GST credit for 100% of the GST charged on the internet service
 - an income tax deduction for 40% of the cost of the internet service (excluding GST)
 - an income tax deduction for the FBT paid
- keeps the employee declaration with its business records to substantiate the reduction in FBT.

Meghan can't claim an income tax deduction as she didn't pay for her work-related internet use.

Using employee contributions

You can reduce your FBT liability by having your employee contribute towards the cost of a fringe benefit. The contribution is usually a cash payment to you or the person who provided the benefit.

For most categories of fringe benefits, the taxable value of a fringe benefit can be reduced by the amount of the employee contribution. However, if the benefit is a tax-exempt body entertainment fringe benefit, you can't reduce the value of the benefit by any employee contributions paid directly to you.

You need to consider the **income tax consequences of providing benefits**. Just as the cost of providing a fringe benefit (including any part of the cost contributed by the employee) is generally deductible for you as the employer, you include any employee contributions paid directly to you in your assessable income.

Example: employer uses employee contributions

A company golf team has a golfing day once a month. The employer pays the green fees of \$45 a month, with the employees reimbursing the employer 75% of the fees.

The employer will:

- pay FBT only on the 25% of the green fees that aren't reimbursed
- include the employee contribution in the company's assessable income.

Providing a cash bonus

If you provide your employee with a cash bonus instead of a benefit you won't have to pay FBT. The employee will pay income tax on the amount.

Example: cash bonus instead of benefit

Gini asks her employer to provide her with an \$800 gym membership. The employer would have to pay FBT on the value of the membership.

Instead, the employer pays Gini a cash bonus of \$1,221.

The employer has no FBT liability on this payment. Gini must pay income tax on the payment.

At Gini's marginal rate of income tax, the \$1,221 bonus is equivalent to \$800 in after-tax income.

Providing exempt or concessional benefits

Exemptions and concessions apply to a range of fringe benefits, including specific exemptions and concessions that apply for some not-for-profit organisations.

Exemptions may apply to:

- work-related items

- minor benefits (with a notional taxable value of less than \$300)
- emergency assistance
- retraining and reskilling
- taxis and public transport
- exempt (or work-related) use of an eligible vehicle
- car parking
- exempt entertainment (food or drink consumed on your business premises).

A range of exemptions and concessions also apply to accommodation and location related fringe benefits where employees are required to work in remote areas or otherwise away from home.

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Work-related items exempt from FBT

Check which work-related items are exempt from FBT, such as portable electronic devices and tools of trade.

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Portable electronic devices

Portable electronic devices that are mainly used for work purposes are exempt from fringe benefits tax (FBT).

The exemption applies to one item per FBT year for items with a substantially identical function (unless it is a replacement item).

However, small businesses can provide employees with more than one work-related portable electronic device in an FBT year – even if they have substantially identical functions. A **small business** is a business with an aggregated turnover of less than \$50 million in an income year that starts or ends in the relevant FBT year.

A portable electronic device is a device that:

- is easily portable and designed for use away from an office environment
- is small and light
- can operate without an external power supply
- is designed as a complete unit.

Portable electronic devices include:

- mobile phones
- laptop and tablet computers
- portable printers
- calculators
- portable global positioning system (GPS) navigation receivers.

Example: portable electronic devices

ZYA Conveyancing, which is an eligible small business for the purpose of the portable electronic devices exemption, provides an employee with a laptop on 10 April 2021 and a tablet on 25 February 2022 for work-related use.

ZYA Conveyancing can claim an exemption for both devices even though they have substantially identical functions.

If the business did not meet the small business test it may be able to claim an FBT exemption for only the first device because both could have substantially identical functions. The employer may have to pay FBT on the second device.

Software, protective clothing, tools of trade

The following work-related items are exempt from FBT where they are mainly used for work purposes:

- computer software
- protective clothing
- briefcases
- tools of trade.

There is a limit of one item per employee in an FBT year for items that are basically the same, unless it is a replacement item.

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Minor benefits exemption

Work out if you can apply the minor benefits exemption to a benefit.

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When the exemption applies

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

- [less than \\$300 in notional taxable value](#) (that is, the value if it was taxable), and
- [unreasonable for it to be treated as a fringe benefit](#).

Notional taxable value less than \$300

The notional taxable value is the value of the benefit if it was taxable. The notional taxable value must be less than \$300 for the minor benefit exemption to apply.

When you provide an employee with separate benefits that are connected with each other (such as a meal, a night's accommodation and taxi travel), the \$300 threshold applies separately to each benefit.

When determining if the notional taxable value of a benefit is less than \$300, benefits provided to associates are not included.

Car benefits

The notional taxable value of a car benefit is determined by either:

- apportioning the operating costs of the vehicle
- applying the cents-per-kilometre method.

Unreasonable to treat the benefit as a fringe benefit

A benefit with a notional taxable value of less than \$300 is exempt if it would be unreasonable to treat the benefit as a fringe benefit.

To determine this, you need to look at the nature of the benefit and consider the following criteria:

- The frequency and regularity of the minor benefit – the more frequently and regularly the benefit is provided, the less likely it will qualify as an exempt benefit.
- The total of the notional taxable values of the minor benefit and identical or similar benefits – the greater the total value of minor benefits, the less likely they are to qualify as exempt benefits.
- The likely total of the notional taxable values of other associated benefits – that is, those provided in connection with the minor benefit.
 - For example, when a meal that is a minor benefit is provided in connection with a night's accommodation and taxi travel, which themselves may or may not be a minor benefit, the total of their taxable values must be considered in determining if it is unreasonable to treat the benefit as a fringe benefit. The greater the total value of other associated benefits, the less likely it is that the minor benefit will qualify as an exempt benefit.

- The practical difficulty in determining the notional taxable value of the minor benefit – this includes consideration of the difficulty for you in keeping the necessary records for the benefit.
- The circumstances in which the minor benefit and any associated benefits were provided – this includes considering whether the benefit was provided as a result of an unexpected event or whether it could be considered principally as remuneration.

Example: unreasonable to treat small gift as a fringe benefit

Kate sends chocolates and flowers to Jane, an employee, on the birth of her daughter. The chocolates and flowers have a taxable value of \$105.

This is an exempt minor benefit because the chocolates have a taxable value of less than \$300 and, looking at the criteria above, it would be unreasonable to treat the chocolates and flowers as a fringe benefit.

Example: minor benefit not exempt as it is provided frequently and regularly

Every Friday, Angela takes her 2 employees to a local hotel for lunch. The lunch for each employee usually consists of a main course and a couple of drinks, and costs on average \$45.

This is not an exempt minor benefit. Even though the value of the Friday lunch is only \$45, the lunch is provided regularly and the total value of the similar benefits (the weekly lunches) is high. Therefore it is reasonable to treat the lunches as a fringe benefit.

When the exemption doesn't apply

Generally, the minor benefits exemption doesn't extend to such benefits as:

- in-house fringe benefits (see FBT guide: 19.5 Other reductions)

- tax-exempt body entertainment fringe benefits, unless the minor benefit is either:
 - incidental to entertainment for outsiders and does not include a meal other than light refreshments
 - a function on work premises to recognise one or more staff members for something to do with their work, and the minor benefit is provided to the staff members being recognised (see Entertainment exemptions and reductions for not-for-profit and government organisations)
- meal entertainment where you elect to use the meal entertainment provisions and calculate the taxable value under the 50:50 split method (see [Calculating the taxable value of entertainment-related benefits](#))
- benefits provided under a salary sacrifice arrangement.

For more information and detailed examples of minor benefits, see:

- Taxation Ruling TR 2007/12 *Fringe benefits tax: minor benefits*
- FBT guide: 20.8 Other exemptions – Minor benefits

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Taxi, ride-sourcing and public transport exemptions

Travel by your employees in taxis to or from the workplace, or on public transport you operate, may be exempt from FBT.

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Travel in taxis and ride-sourcing vehicles

If you pay for your employee to travel by a taxi or ride-sourcing vehicle (but not a limousine), the travel is exempt from fringe benefits tax (FBT) if it is a single trip that begins or ends at the employee's place of work.

The travel is also exempt from FBT if it arises from sickness or injury to the employee, and all or part of the journey is directly between any of the following:

- the employee's workplace
- the employee's residence
- any other place it is appropriate for the employee to go as a result of the sickness or injury.

Public transport

If you operate a public transport business, and you provide free or discounted travel (other than in an aircraft) to your employees for travel to and from work, or more generally on your scheduled metropolitan services, it is an exempt benefit.

The exemption also applies if the benefit is provided by an associate company that operates a public transport business.

The exemption does not apply, however, if the transport is an in-house benefit that's provided under a salary packaging arrangement.

Providing travel on public transport to a police officer for travel between their residence and their primary place of employment is an exempt benefit.

For more information on the public transport exemption, see **FBT guide: 20.2 Transport exemptions**.

Emergency assistance

FBT exemptions for emergency assistance including first aid, emergency supplies and temporary repairs.

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Emergency situations

An FBT exemption applies to emergency assistance benefits you provide to your employees or their associates who are impacted, or potentially impacted, by:

- a natural disaster
- an accident
- a serious illness
- an armed conflict
- a civil disturbance.

Exempt emergency assistance benefits

The exemption applies to:

- first aid or other emergency health care
- emergency
 - meals
 - food supplies
 - clothing
 - accommodation

- transport
- household goods

- temporary repairs
- any similar assistance in an emergency situation.

Health care

For health care, the exemption only applies to health treatment provided in an emergency:

- by an employee of yours (or related company)
- on your premises (or premises of a related company)
- by a company doctor at an accident site
- at or near an employee's worksite.

The exemption does not apply when you pay for your employee's ongoing medical or hospital bills.

Long-term benefits

Short-term benefits, such as temporary repairs to damage caused to a home during an emergency, are exempt from FBT. However, long-term benefits, such as a new house or car to replace those destroyed, are not exempt.

If you need help with tax affairs

If you or your business are affected by a disaster and you need help to get your tax affairs back on track, see [Support in difficult times](#) or phone our emergency support infoline on **1800 806 218**.

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Retraining and reskilling exemption

Check if you can claim an FBT exemption for retraining and reskilling redundant employees, redeployment or job seeking.

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When the exemption applies

Training or education provided to redundant or soon to be made redundant employees may be exempt from fringe benefits tax (FBT).

The cost of retraining and reskilling provided by the employer is exempt from FBT if all of the following conditions are met:

- the retraining and reskilling is provided to a redundant, or soon to be redundant, employee
 - this includes employees either being redeployed within your business or seeking employment elsewhere
- the employer has complied with all obligations under the [Fair Work Act 2009](#) [↗](#) that relate to the employee's redundancy
- the education or training is both
 - not related to the employee's current job role
 - for the primary purpose of helping that employee gain new employment.

The exemption covers both

- the provision of education or training (such as reimbursing or paying the course fees or the cost of delivering training directly) and
- associated benefits such as related course materials, textbooks, travel and accommodation.

There are no limits on the number of training or education courses an employee may undertake, or on the cost of the education or training.

What 'redundant' means

For the purpose of this exemption, an employee is considered 'redundant' when either:

- their employer no longer requires, or reasonably expects to require, their job because of changes in the operational requirements of the employer's business or undertaking. The employee's job will not be performed by anyone else in the business
- they are no longer required in one part of your business but can be redeployed to another part of your (or your associate's) business.

Employees are considered 'soon to be made redundant' when you reasonably expect the employee to be made redundant, but you have not yet acted on this.

When the exemption doesn't apply

The exemption doesn't apply to education or training costs:

- paid under a salary sacrifice arrangement
- for which an income tax deduction is specifically denied, such as Australian Government supported places at a university or repayments of Australian Government student loans
- for a primary or secondary school course, as defined under the A New Tax System (Goods and Services Tax) Act 1999.

Non-arm's length employees

Some non-arm's-length employees are excluded from the exemption, as outlined in the table below.

Non-arm's length employees excluded from the exemption

The employer is	And the employee is
An individual	<ul style="list-style-type: none">• A relative of the employer
A partnership	<ul style="list-style-type: none">• A relative of a partner in the partnership
A company (other than a widely held company within the meaning of the Income Tax Assessment Act 1997)	<ul style="list-style-type: none">• A shareholder, or relative of a shareholder, in the company; or• A director, or relative of a director, of the company.

A relative means:

- their spouse
- a parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descendant or adopted child, or a spouse of any of these.

How to apply the exemption

You can apply the exemption to retraining and reskilling benefits provided on or after 2 October 2020.

You do not include exempt retraining and reskilling benefits in your FBT return, or in your employee's reportable fringe benefits amount.

If you've already lodged your 2021 FBT return and paid any FBT owing, you can **amend** your 2021 FBT return to reduce the FBT paid for retraining and reskilling that is exempt.

You must keep a record of all training and education provided to redundant or soon to be made redundant employees if you intend to apply the exemption. Your business records should also show that you meet the requirements for applying the exemption.

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Contributions to approved worker entitlement funds

Check if contributions for employee long service leave, sick leave or redundancy payments are exempt from FBT.

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About worker entitlement funds

A worker entitlement fund (sometimes called a redundancy trust or redundancy fund) is a fund for employee long service leave, sick leave or redundancy payments.

Although these funds operate in a variety of ways, their purpose is to manage employee entitlements and provide portability and protection.

When contributions are exempt


Contributions to cover worker entitlements are exempt benefits where the payments meet all the following conditions:

- made to an approved worker entitlement fund (these are listed on [ABN Lookup](#) )
- made under an industrial agreement
- for leave, redundancy or the reasonable administrative expenses of the fund.

Applying for endorsement

To become endorsed as an approved worker entitlement fund, the fund or entity that operates the fund must apply in writing to:

Australian Taxation Office
PO Box 3000
PENRITH NSW 2740

When the fund or entity that operates the fund has been endorsed by us, the endorsement is listed on [ABN Lookup](#) .

For more information on:

- worker entitlement funds, see **FBT guide: 20.9 Worker entitlement contributions**
- the endorsement process for approved worker entitlement funds, see **Division 426** in Schedule 1 to the *Taxation Administration Act 1953*
- the requirements for being endorsed as an approved worker entitlement fund, see **section 58PB** of the *Fringe Benefits Tax Assessment Act 1986*.

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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