



Government organisations and FBT

How to manage FBT in government organisations. State and territory governments can devolve FBT to departmental level.

FBT administration in government organisations



How to effectively manage FBT obligations in government organisations.

Nominating state or territory bodies as FBT employers



What state and territory governments need to do to devolve FBT administration and payment to a departmental level.

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FBT administration in government organisations

How to effectively manage FBT obligations in government organisations.

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How FBT operates for government employers

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associate of your organisation.

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How to effectively manage FBT in your government organisation.

Identify and assess FBT risks

Effectively manage the way your organisation identifies, assesses, controls and manages FBT risks.

Establish and maintain effective FBT controls

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How FBT operates for government employers

Determine your organisation's FBT status, who pays FBT and who is an associate of your organisation.

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Your organisation's FBT obligations and exemptions

Government organisations are generally liable to pay fringe benefits tax (FBT) on benefits they provide to their employees.

Government organisations are not eligible for FBT exemptions or rebates available to not-for-profit organisations, except for public

hospitals and ambulance services, which are exempt up to a capping threshold.

As most government organisations are income tax exempt, they are subject to the rules for **tax-exempt body entertainment fringe benefits**.

To make further enquiries for your government organisation, phone us on **13 28 66**.

Who pays FBT for government?

Responsibility for paying FBT varies across different levels of government. FBT may not be paid by the same entity that pays an organisation's pay as you go (PAYG) withholding or goods and services tax (GST).

Australian (federal) Government

Each Australian Government department or agency is treated as a separate employer under FBT legislation. FBT is imposed at the departmental or agency level, not at the whole-of-government level.

State and territory governments

State and territory governments can devolve the administration and payment of FBT to the departmental level.

Local government

Each local government council is treated as a separate employer for FBT purposes.

Who is an associate?

A fringe benefit arises where an employer, or an associate of the employer:

- agrees to a third party providing benefits to their employees or their associates
- participates in, facilitates or promotes the provision or receipt of a benefit provided by a third party.

Government employers and their associates

Level of Government	Who is an associate
Australian (federal)	<ul style="list-style-type: none">• Australian Government departments are associates of each other.• Australian Government authorities are associates of each other.
State (no devolvement of FBT)	<ul style="list-style-type: none">• A state is an associate of each of its authorities.• Authorities of a state are associates of each other.
State (devolvement of FBT)	<ul style="list-style-type: none">• Other nominated state bodies.• The relevant state.• Any other authority of the state.
Territory (no devolvement of FBT)	<ul style="list-style-type: none">• A territory is an associate of each of its authorities.• Authorities of a territory are associates of each other.
Territory (devolvement of FBT)	<ul style="list-style-type: none">• Other nominated territory bodies of the relevant territory.• The relevant territory.• Any other authority of the territory.

Who is not an associate?

Australian, state and territory departments and authorities are not associates of departments or authorities of other levels of government. For example:

- state government departments and authorities are not associates of territory government departments or authorities
- Australian Government departments and authorities are not associates of state or territory government departments or authorities.

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Effective FBT administration by government organisations

How to effectively manage FBT in your government organisation.

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Why effective FBT administration is important

Fringe benefits tax (FBT) requires a broad organisational approach to adequately manage it. The way FBT is administered within an organisation will depend on the organisation's operating environment, particularly its structure and the number and type of benefits provided.

Entities should have the structure, processes and controls in place to enable them to meet their FBT obligations in an accurate, timely and cost-effective manner.

The primary obligations for an employer are to:

- administer their FBT obligations in a way that ensures full compliance with tax law
- determine and accurately report reportable fringe benefit amounts for their employees.

Well-managed FBT administration provides the following benefits:

- compliance with FBT legislation
- accurate capture of transactions that give rise to fringe benefits
- payment of FBT instalments on time
- accurate and timely reporting of reportable fringe benefits amounts
- ability to continually improve the management of FBT obligations by ensuring FBT returns are complete, accurate and lodged on time
- ability to deal with and minimise the impact of audit activity.

Summary of effective FBT administration measures

The following tables summarise an effective framework of practices your government organisation can adopt to manage its FBT obligations.

Although aimed mainly at government organisations, this information may assist staff responsible for FBT administration in any large public or private organisation.

Identify and assess FBT risks

Action to implement	When to review	Documentation
Review the extent and nature of your government organisation's FBT obligations	Annually	Details of outcomes of review
Conduct a review of your organisation's FBT risks	Annually or on a restructure	FBT risk register

Establish and maintain an effective FBT control environment

Action to implement	When to review	Documentation
Assign responsibility for the management of FBT	Regularly	Organisational structure and responsibilities (including who the signatory is on FBT returns)
Establish and review policies and procedures	Regularly to ensure that they reflect: <ul style="list-style-type: none"> • current legislation • ATO guidance • entity requirements • any improvements identified by a post-lodgment review 	Policies and procedural documents relating to FBT
Establish and review information systems	Annually	Commercial software products or internally developed systems
Identify and address training needs	Regularly, particularly where there are changes in: <ul style="list-style-type: none"> • roles and responsibilities • FBT law 	Training materials and records of attendance at external training

Engage with stakeholders

Action to implement	When to review	Documentation
Communicating with employees	At the start and cessation of employment and receipt of benefits	Training, intranet material and payment summaries
Communicating with other work areas	Regularly	Details of: <ul style="list-style-type: none"> • arrangements for communicating FBT information to all relevant work areas within the organisation • contracts with service providers and external advisers
Communicating with external organisations	As required	Details of communications and advice received

Review the effectiveness of FBT administration

Action to implement	When to review	Documentation
Internal reviews	Pre and post-lodgment of FBT return	Details of outcomes of review and issues log
Independent reviews	As required	Details of outcomes of review

Next step

Identify and assess FBT risks

Identify and assess FBT risks

Effectively manage the way your organisation identifies, assesses, controls and manages FBT risks.

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Review your government organisation's FBT obligations

A review into the extent and nature of your government organisation's fringe benefits tax (FBT) obligations is likely to include the following:

- Determine the relevant employer for FBT. This may differ from the relevant entity for pay as you go (PAYG) withholding or goods and services tax (GST) purposes.
- Determine the FBT status of the employer (for example, whether it is an income tax-exempt government body, a public hospital, a public ambulance service or an entity subject to income tax). Other than public hospitals and ambulance services, government organisations are not eligible for FBT exemptions or rebates available to not-for-profit organisations. See **FBT guide: 6 Not-for-profit organisations and fringe benefits tax** in our legal database.
- Review your organisation's structure to identify work area locations, payments to employees and any structural changes that have occurred during the FBT year.
- Scope the size, complexity, sophistication and resourcing of the FBT function, including whether processes are centralised or decentralised.
- Identify the benefits that are likely to be provided to employees (or their associates) of both your organisation and associated entities.

Conduct annual reviews of FBT risks

To effectively manage FBT obligations, it is important to conduct a risk assessment annually or when a restructure occurs that changes the functions undertaken by your organisation. Generally, the most appropriate time for performing a detailed annual risk assessment is within a short time after lodging the FBT return. A less detailed review should be undertaken before lodging the FBT return.

Evaluating FBT risk involves:

- identifying a range of options for treating risk
- assessing those options
- deciding the controls appropriate to the identified risks.

The nature of your organisation's FBT risks may depend on:

- how staff understand and interact with FBT legislation
- systems and processing risks associated with day-to-day management of FBT administration and reporting.

You should consider a combination of preventive and detective controls for managing FBT risks. The level and complexity of these controls should be directly proportional to the assessed extent of the risk as it relates to FBT compliance.

You should document the results of the FBT risk assessment. Better-practice entities maintain an FBT risk register in a form that is consistent with the organisation's overall risk assessment framework. Such a register can help ensure that risks are regularly reviewed and managed effectively.

Next step

- Establish and maintain effective FBT controls

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Establish and maintain effective FBT controls

Establish and review key business systems and processes to help your organisation manage FBT.

Assign responsibility for FBT management

Government organisations should clearly define and document who carries responsibility for fringe benefits tax (FBT) administration and compliance at both corporate and operational levels.

Overall responsibility for FBT compliance should be formally assigned to a person or work area to ensure that there is ownership and accountability.

In smaller government organisations, overall responsibility for FBT is typically assigned to the chief financial officer (CFO). In larger government organisations, it may be a finance manager or similar. This person is often a qualified accountant who has an understanding of tax requirements, operational requirements for processing transactions and reporting obligations. They are frequently helped by the person responsible for managing FBT on a day-to-day basis (referred to here as the FBT manager).

There may be a number of people responsible for various aspects of FBT administration in your organisation, or on behalf of your organisation, including:

- work area managers who certify that fringe benefits provided by their work area have been recorded correctly
- salary packaging providers who certify that salary packaged fringe benefits have been correctly reported
- fleet providers who certify that vehicle data provided is correct
- the FBT manager, who certifies to the CFO or finance manager that technical issues have been addressed correctly and that the FBT data is accurate and complete
- the CFO or finance manager, who certifies that the relevant organisation's FBT return is correct.

Irrespective of how responsibility for FBT management is assigned, FBT managers generally rely on a number of staff throughout the organisation to provide input into the FBT administration process, including:

- human resources managers who prepare certified agreements and Australian workplace agreements
- managers who prepare fleet management and salary packaging contracts, organise social functions or take other action that may result in an FBT liability
- staff responsible for FBT data collection
- data entry personnel who enter FBT transactions into information systems
- internal auditors who conduct periodic compliance reviews.

Government organisations should document key responsibilities for FBT management in formal job descriptions or similar documents. These responsibilities can then be linked to duty statements, annual work plans, performance plans and key performance indicators.

A record should also be kept of the officer who is registered with us as the signatory on FBT returns and associated documentation. You should review these records regularly so that FBT documentation is executed appropriately.

Establish and review policies and procedures

Government organisations should have complete, up-to-date and documented policies and procedures that provide guidance to those involved in FBT transaction processing and reporting.

Policies and procedures should be written to meet the needs of various work areas, including:

- staff who input data into the organisation's financial management information system
- staff who are responsible for collating FBT data for individual work areas
- managers who approve the provision of fringe benefits for individual work areas
- staff who are responsible for collating FBT information and preparing the FBT return.

Staff responsible for FBT data collection should be provided with clear instructions on the FBT information they are to collect. The following documents should be provided to staff involved in FBT administration:

- A manual that outlines both general FBT information and detailed FBT information
 - General FBT information should include a brief description of the types of benefits your organisation generally provides, the treatment of these benefits (for example, whether the benefit is a fringe benefit, or an exempt benefit) and details of what activities may result in a fringe benefit. It should also include details of the implications for staff of receiving reportable fringe benefit amounts.
 - Detailed FBT information should include a description of each benefit type together with relevant legislative references, and details of any internally prepared tax position papers, private or class rulings issued by us and organisational procedures for collecting and collating FBT data.
- Procedure manuals setting out potential FBT implications to consider when making decisions regarding staff benefits, allowances, remuneration packages, certified agreements and Australian workplace agreements. These manuals should include details of how to identify, record and calculate any FBT liability. Manuals should provide detailed guidance on how to plan for and prepare your organisation's FBT return.
- Policy manuals (for example, chief executive instructions). Your government organisation should have a policy about seeking advice from expert advisers (internal or external) or from us for issues considered contentious, technically complex or unique. Examples may include where there are significant legislative changes or to clarify the treatment of items that are of a high dollar value or are considered high-risk items.
- Private or class rulings, other ATO guidance, external advice and internally prepared tax position papers.

The documents above should be reviewed regularly for accuracy by those with overall responsibility for FBT within your organisation. They should be adapted to reflect any legislation changes, court

interpretations and new or updated ATO views. Any changes to the above documents should be formally communicated to staff.

Establish and review information systems

Many government organisations use commercial FBT software products to produce FBT return information. Such products will automatically calculate the taxable value of certain benefits (for example, car fringe benefits) once the required information has been entered. This can reduce the risk of human error.

Suppliers of commercial FBT software products generally provide annual updates incorporating any changes in legislation as part of their license arrangements. As commercial software products may not cater for all exemptions and concessions available to certain organisations, you should review, on a sample basis, the reasonableness and accuracy of the information the software produces. This also applies if your organisation uses internally developed systems for capturing data.

Record-keeping requirements

Your organisation should keep records to support all FBT decisions and calculations. FBT information should be collected, documented and included in your organisation's official record-keeping system. Where data is collected from a number of work areas, source documents should be easily accessible.

Identify and address training needs

Staff with any responsibility for the administration of FBT in your organisation should be provided with training commensurate with their level of responsibility and the level of complexity of your organisation's FBT environment.

Training can be provided in a number of ways, including:

- external training, such as training provided by a professional organisation, forums where there is formal or informal information sharing, or various webinars or external events facilitated by us
- structured internal training presented by a person with a good working knowledge of FBT

- on-the-job training.

Your organisation should ensure staff are provided with refresher training, and training on any new FBT developments. Staff who are assigned overall responsibility for FBT in your organisation should ensure that they receive regular updates on FBT matters that may have a potential impact on compliance, such as implications of providing certain benefits, ATO views and legislative changes.

Next step

- Engage with stakeholders

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Engage with stakeholders

Ensure your organisation's stakeholder engagement supports its FBT obligations.

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Communicating with internal stakeholders

Employees

Obtaining information from employees

Government organisations should ensure that all benefit information is collected, reconciliations performed and adjustments made before an employee leaves the organisation and before the end of each fringe benefits tax (FBT) year. This includes collecting closing odometer readings of a salary packaged car on the date that the employee is taken to have ceased employment or at the end of the FBT year.

Your organisation will also need to ensure that it obtains all **employee declarations** from employees no later than the day on which its FBT return is due to be lodged.

Reportable fringe benefit amounts (RFBAs)

RFBA's are recorded on employees' payment summaries and can impact their financial positions. For this reason, it is important that employees are fully informed of the RFBA implications of receiving fringe benefits. This is particularly relevant where they home garage your government organisation's car or are required to live away from home. The nature and extent of the information provided will vary depending on the types of benefits provided and whether salary packaging is provided in-house or by an external provider.

FBT information could be provided through:

- induction training
- newsletters
- the intranet
- other communication methods generally used by your organisation.

Organisations that provide a large number or different types of fringe benefits should consider establishing an FBT issues database, or assigning a staff member (such as the FBT manager) to be an FBT contact to provide employees with detailed information relating to FBT.

RFBA's will need to be available in time to enable your organisation to report through Single Touch Payroll no later than 14 July. Government organisations should establish arrangements for notifying employees of their RFBA as early as possible (preferably by mid-June), so that once RFBA's are finalised, employees can be notified promptly. This enables employees to review the amount and if necessary, seek clarification. It also acts as an additional review of the FBT data.

New information should be prepared and reported as soon as possible after an error is identified. It is the employee's responsibility to amend, as necessary, their tax return or advise relevant government agencies based on their income statement.

For more information on reportable fringe benefits, see:

- [FBT guide: 5 Reportable fringe benefits](#)
- [Reportable fringe benefits – facts for employees](#)

Single Touch Payroll and payment summaries

Single Touch Payroll does not change your government organisation's obligation regarding FBT returns and payments.

It is optional for government organisations to report RFBA via Single Touch Payroll either throughout the year through a payroll event report, or by 14 July using the update service.

If your organisation does report these amounts and has made a declaration to the Commissioner by 14 July that its reporting for the year is final, your organisation will not have to provide payment summaries to its employees or a payment summary annual report to the ATO.

Other work areas

A number of work areas within your government organisation may make decisions that impact on your organisation's FBT liability or administration. The needs and expectations of these areas should also be managed to ensure that your organisation is compliant with its FBT obligations.

Finance area or managers responsible for budgets

FBT can effectively double the cost of providing a fringe benefit. It is important this is factored into budgets developed by your finance area or by different work area managers who are responsible for their own individual budgets.

Human resources work area

Your government organisation's human resources work area, or managers of different work areas, may make decisions regarding remuneration and the provision of benefits that have an FBT impact. Your organisation should ensure that these areas and managers recognise any potential FBT implications of their decisions and have a process for obtaining assistance on FBT issues.

For state and territory governments, ultimate responsibility for FBT obligations remain with the relevant state or territory. However, states and territories can **transfer the administration and payment of FBT to a departmental level**. Therefore it is important that your organisation is aware of any changes at the departmental levels or other structural changes that result in new departments being created or departments merging, as this could impact on your organisation's FBT liability. Regular communication with your organisation's human resources work area and other work areas is important in order to know when such changes are likely to occur.

Fleet management work area

The work area responsible for managing your organisation's vehicle fleet needs an understanding of the FBT implications of providing a vehicle for private use (such as home garaging a car) and the classification of journeys. It should be able to explain these implications to other employees within your organisation. There should be a process available for the fleet management work area to engage with those responsible for FBT within your organisation frequently to resolve potential issues and exchange information.

Communicating with external organisations

Other government organisations

It may be necessary to communicate with other government organisations to:

- provide details of fringe benefits provided to the employees of an associated entity
- clarify responsibilities where structural changes have resulted in employees being transferred between organisations during the year.

Service providers

Government organisations generally rely on information provided by a number of external service providers in preparing their FBT return. This may include fleet providers and salary packaging providers.

Before the start of each FBT year or at the time of entering into contractual arrangements with an external service provider, your organisation should:

- understand the processes and controls used by these providers to ensure that the information received from them is correct
- agree with the service provider on the form that data should take to enable it to be easily imported into your government organisation's FBT return preparation process
- obtain an outline of the processes and associated controls the external service provider has and assess whether they are adequate to produce accurate data

- agree with the service provider on a timetable for data to be provided to enable the timely preparation of the FBT return.

Technical advisers

Government organisations may seek advice from an external tax adviser on FBT issues. In addition, technical advisers may be engaged to ensure that any changes to legislation, ATO views or case law that impacts on your organisation's FBT administration are identified, and to assist in your organisation's interactions with us in seeking advice or responding to our requests.

When an external service provider is engaged to provide advice, or to help your organisation meet its FBT obligations, the exact nature of the services to be provided, the costs, and the timeframes should be discussed and included in a contract.

Communicating with the ATO

Government organisations interact with us in various ways in respect of their organisation's FBT compliance.

Your organisation should identify a key person (for example, the staff member with overall responsibility for FBT) to have authority to interact with us. This staff member should take a proactive approach to building an effective relationship with us. They should have input into steering committees or other networks we sponsor (for example, the States and Territories Industry Partnership) and provide comments in response to consultation matters that impact on your organisation's administration of FBT.

Where the FBT treatment of an item is unclear, your organisation should take steps to clarify the position as soon as possible by **engaging with us early**. Your organisation should also engage with us if it is unclear how an ATO view applies to your specific facts and circumstances, or if the facts and circumstances described in your **private or class ruling** have changed.

Where your organisation identifies a mistake or leaves something out on the FBT return, it should **request an amendment** from us. If your organisation disagrees with a decision we have made about its FBT obligations, you can **object to our decision**. Alternatively, our **in house facilitation** service can help with resolving less complex disputes and can be used at any stage from audit up to litigation.

We need specific documents from you where an objection you make relates to taxable value of car parking fringe benefits.

Next step

- Review the effectiveness of FBT administration

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Review the effectiveness of FBT administration

Check the effectiveness of your organisation's FBT administration through internal and independent reviews.

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Internal reviews

Review activities that can help you to identify areas of potential improvement in FBT administration include:

- regular reviews of relevant general ledger codes or software programs to provide assurance that all fringe benefits have been captured
- preparation of a mid-year return or quarterly or mid-year data integrity reviews, particularly of transactions that have a significant FBT impact, to help ensure that year-end data is accurate and complete. The frequency of data integrity reviews will depend on such things as the size of your government organisation, the number and types of benefits provided, and the maturity of FBT controls and processes
- a pre-lodgment review that examines FBT return data and calculations. Pre-lodgment reviews can be undertaken as a staged approach as information relating to certain benefit types is finalised or completed when the FBT return has been prepared but not yet lodged. Such a review should be undertaken by staff with overall FBT responsibility in your organisation and include the following steps

- compare the current-year return to prior-year returns and investigate any significant discrepancies
 - review data provided by external organisations to ensure that it has been accurately processed
 - review a sample of transactions to check that they have been correctly reported
 - perform a review of calculations to check that any formulas used are correct
 - perform an overall 'reasonableness' review of the return, including a high-level review of all working papers
- a post-lodgment review that examines FBT return data, calculations and processes. Post-lodgment reviews should be undertaken after the FBT return has been lodged but while the process is still fresh in the minds of the staff who prepared the return. The review should address two main questions
 - What aspects of the process went well?
 - What aspects of the process require improvement?

Some organisations find it useful to maintain a central issues log to enable issues identified by such review activities to be appropriately recorded, addressed and communicated. For an issue log to be useful, all substantive issues and errors must be captured. The log itself should be reviewed periodically to ensure corrective action has been taken where necessary.

Independent reviews

Independent reviews conducted by your organisation's internal audit team or an external service provider can provide assurance that:

- ongoing compliance obligations are met
- processes are working as effectively as possible
- senior managers and executives are aware of risks.

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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