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Fringe benefits tax (FBT)

How employers, not-for-profits and government organisations calculate, manage and report fringe benefits tax.

How fringe benefits tax works

An overview of FBT. Find out how FBT applies, what you need to do as an employer, and what deductions you can claim.

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QC 71121

How fringe benefits tax works

An overview of FBT. Find out how FBT applies, what you need to do as an employer, and what deductions you can claim.

Last updated 17 July 2024

What is fringe benefits tax?

Fringe benefits tax (FBT) is a tax paid by employers on certain benefits provided to their employees, or to their employees' family or other associates.

FBT is separate to income tax. It's calculated on the taxable value of the fringe benefit.

As an employer, you must self-assess your FBT liability for the FBT year (1 April to 31 March). If you have an FBT liability, you must lodge an FBT return and pay the FBT you owe.

What is a fringe benefit?

A fringe benefit is like a payment to an employee, but in a different form to salary or wages.

There are different types of fringe benefits. Examples include:

- allowing an employee to use a work car for private purposes
- car parking
- paying an employee's gym membership
- providing entertainment by way of free tickets to concerts
- reimbursing an expense incurred by an employee, such as school fees
- giving an employee a discounted loan
- giving benefits under a salary sacrifice arrangement with an employee.

The following are **not** fringe benefits:

- salary and wages
- employer contributions to complying super funds
- shares or rights provided under approved employee share acquisition schemes

- employment termination payments (including, for example, the gift or sale at a discount of a company car to an employee on termination)
- payments deemed to be dividends under Division 7A
- benefits provided to volunteers and contractors
- exempt benefits, such as certain benefits provided by religious institutions to their religious practitioners.

Who receives fringe benefits?

FBT applies to fringe benefits provided to your employees, or to your employees' families or other associates.

For FBT purposes, an employee includes a:

- current, future or past employee
- director of a company
- beneficiary of a trust who works in the business.

If you're a sole trader or a partner in a partnership, you are not an employee. Benefits you provide to yourself are not subject to FBT.

Your clients are not employees. Benefits you provide to clients, such as entertainment, are not subject to FBT.

Who pays FBT?

The employer pays FBT.

This is the case even if the benefit is provided by a third party under an arrangement with the employer.

How much FBT do you pay?

To work out how much FBT to pay, you 'gross-up' the taxable value of the benefits you've provided. This is equivalent to the gross income your employees would have to earn, at the highest marginal tax rate (including the Medicare levy), to buy the benefits themselves.

The FBT you pay is 47% of this 'grossed-up' value of the fringe benefits.

Example: FBT on a gym membership

Jenni runs a small consulting firm. She provides her employee, Anton, with a gym membership that costs $1,100 (including $100 GST).

This is a fringe benefit. Jenni works out the FBT as follows:

Taxable value of the benefit ($1,100)

× the gross-up rate (for a GST-inclusive fringe benefit the rate is 2.0802)

× the FBT rate (47%)

= FBT of $1,075.46.

Jenni must prepare and lodge an annual FBT return, and pay her FBT liability.

She may also need to calculate and report Anton's reportable fringe benefits amount in his end-of-year payment information.

As the gym membership is subject to FBT, Jenni can claim:

- an income tax deduction and GST credit for the cost of the gym membership
- an income tax deduction for the FBT paid.

Can you claim deductions and GST credits?

As an employer, you can claim:

- an income tax deduction and GST credits for the cost of providing fringe benefits
  - if you can claim GST credits, you claim the GST-exclusive amount as an income tax deduction
  - if you can't claim GST credits, you claim the full amount as an income tax deduction
- an income tax deduction for the FBT you are required to pay.

What do you need to do?

As an employer, you need to:

1. Identify the **types of fringe benefits** you provide.
2. Check for FBT concessions and ways you can reduce FBT.
    - Some **benefits are exempt from FBT**, such as work-related items.
    - You can **reduce your FBT liability** by using alternatives to fringe benefits or providing benefits that are eligible for a concession.
    - If you're a not-for-profit employer, you may be eligible for an **exemption or rebate for not-for-profit organisations**.
3. Work out the **taxable value of fringe benefits** you provide.
4. **Calculate your FBT liability**.
5. **Keep records, including employee declarations where needed**.
6. **Lodge an FBT return and pay the FBT you owe**.
7. **Report each employee's fringe benefits in their end-of-year payment information, if required**.

FBT – a guide for employers

Fringe benefits tax – a guide for employers is an additional resource to help you meet your FBT obligations as an employer. It explains:

- FBT and your responsibilities as an employer
- how to identify and value each type of benefit, and what concessions are available
- the meaning of terms used throughout the guide.

We link to the guide throughout our web content to provide more comprehensive information on a topic, where required.

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QC 71122

Salary sacrificing

How salary sacrificing works for employers, including effective arrangements and what can be salary sacrificed.

Last updated 11 August 2026

What is salary sacrificing?

Salary sacrificing is a formal arrangement between you (the employer) and your employee. Your employee agrees to forgo part of their salary or wages in return for benefits of a similar value, such as more super or a car.

Salary sacrificing is sometimes called salary packaging.

Under an effective salary sacrifice arrangement:

- the employee pays less income tax on their reduced salary or wages
- you, as the employer, may have to pay fringe benefits tax (FBT) on the fringe benefits you provide
- salary-sacrificed super contributions are classified as employer super contributions that are taxed in the super fund (instead of being employee super contributions from after-tax income).

Effective salary sacrifice arrangement

To reduce an employee's assessable income through salary sacrificing, the arrangement must be considered 'effective'. Otherwise, the benefits are treated as assessable income received by the employee.

To have an effective salary sacrifice arrangement, you should:

- enter the arrangement before your employee performs the work
- have an agreement between you and your employee (usually in writing)
- make sure the employee can't access the sacrificed salary.

If you have an effective salary sacrifice arrangement with your employee, there may be implications for:

- your FBT obligations
- the employee's assessable income
- GST credits you can claim
- the payment of employee contributions
- reporting PAYG withholding through Single Touch Payroll or on your employee's payment summary.

For more information on the implications of an effective salary sacrificing arrangement for employers, see **FBT Guide: 1.8 Salary sacrifice**.

Benefits you can salary sacrifice

You can provide any type of benefit to your employee through a salary sacrifice arrangement. Benefits are generally treated as fringe benefits, exempt benefits or employer super contributions.

Fringe benefits

Some benefits are fringe benefits. You may have to pay FBT on the value of these benefits provided to your employee. Common fringe benefits include:

- cars
- goods
- shares
- payment of the employee's expenses such as loan repayments, school fees and childcare costs.

Exempt work-related benefits

You don't pay FBT on exempt benefits, such as the following **work-related items**:

- a portable electronic device
- computer software
- protective clothing
- a tool of trade.

Currently, the exemption is limited to one item per employee per FBT year for items that have the same or substantially identical function. However, this limitation does not apply if you're a small business. 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.

Changes from 1 April 2027

Work-related items provided through a salary sacrifice arrangement will no longer be exempt and will be subject to FBT.

There will no longer be a one-item limit per employee per FBT year for items that have the same or substantially identical function (if they are not salary sacrificed).

Superannuation

Salary sacrificed super contributions under an effective salary sacrifice arrangement are considered employer contributions. These are not fringe benefits if the contributions are made to a complying super fund.

Salary sacrificed super contributions don't:

- reduce the ordinary time earnings or **qualifying earnings** that you use to calculate your employee's super entitlement
- count towards the super guarantee contributions that you need to make for your employee.

This means the salary sacrificed super contributions are additional to the super you would have paid for your employee without the arrangement.

Any super contributions made for the benefit of an associate, such as the employee's partner, are treated as a fringe benefit. The same applies to any contributions paid to a non-complying super fund.

For more information about salary sacrifice and the tax implications for employers, see:

- **FBT Guide: 1.8 Salary sacrifice**
- Taxation Ruling **TR 2001/10** *Income tax: fringe benefits tax and superannuation guarantee: salary sacrifice arrangements*.

Reporting salary sacrifice benefits

You may have to report certain **reportable fringe benefits** through Single Touch Payroll or on your employee's payment summary.

QC 71171

Calculating your FBT

Work out the FBT to pay, including applying the type 1 or type 2 gross-up rate and the FBT rate.

Last updated 12 January 2023

What you need to do

As an employer, you must self-assess the amount of fringe benefits tax (FBT) you have to pay.

To work out how much FBT you have to pay, you 'gross-up' the taxable value of the benefits you've provided. This reflects the gross salary your employees would have to earn, at the highest marginal tax rate (including Medicare levy), to buy the benefits themselves.

The FBT you owe is the grossed-up amount multiplied by the FBT rate.

You pay this amount to us by the date your FBT return is due, which is generally 21 May.

How to calculate FBT – business and government

Use the steps below if you are a:

- business
- government organisation
- not-for-profit organisation that is not exempt from FBT and not eligible for the FBT rebate.

Step 1: Work out the taxable value of each fringe benefit

- How you work out the taxable value of a fringe benefit varies according to the **type of benefit**.
- If the cost of the fringe benefit included GST, include this in the taxable value.
- If you provided car fringe benefits, you can use the FBT car calculator to work out the taxable value of those benefits.

FBT car calculator

Step 2: Add up fringe benefits from step 1 that included GST

- These are fringe benefits for which you can claim a GST credit.
- Include both reportable and any non-reportable benefits.

Step 3: Multiply the step 2 amount by the higher gross-up rate

- The higher (type 1) gross-up rate is 2.0802.
- You can claim GST credits for these fringe benefits. The higher rate takes this into account.
- This rate applies for all FBT years since the FBT year ending 31 March 2019. For gross-up rates in earlier years, see **Fringe benefits tax – historical rates and thresholds**.

Step 4: Add up the fringe benefits from step 1 that did not include GST

- These are benefits that were either GST-free or input taxed.
- Include both reportable and any non-reportable benefits.

Step 5: Multiply the step 4 amount by the lower gross-up rate

- The lower (type 2) gross-up rate is 1.8868.

- This rate applies for all FBT years since the FBT year ending 31 March 2019. For gross-up rates in earlier years, see **Fringe benefits tax – historical rates and thresholds**.

Step 6: Add up the amounts from steps 3 and 5

- This is your total fringe benefits taxable amount.

Step 7: Multiply the step 6 amount by the FBT rate

- The FBT rate is 47%.
- This rate applies for all FBT years since the FBT year ending 31 March 2019. For rates in earlier years, see **Fringe benefits tax – historical rates and thresholds**.
- The amount you have worked out is the total FBT amount you have to pay when you **lodge your FBT return**.

Example: calculating how much FBT you have to pay

MantCo has 2 employees, Marta and Anthony. Using steps 1–7 above, MantCo calculates its FBT liability as follows.

1. MantCo works out the taxable value of the fringe benefits it provided to its employees:
   - A car fringe benefit for Marta with a taxable value of $7,700, including GST.
   - A car fringe benefit for Anthony with a taxable value of $6,600, including GST.
   - School fees for Anthony's daughter with a taxable value of $6,000. The school fees are GST-free.
   - Restaurant meals for both Marta and Anthony, with a taxable value of $2,200, including GST. Meals are not reportable benefits, so MantCo does not need to allocate the taxable value of the meals to the individual employees.
2. The total taxable value of the fringe benefits that included GST is:
   $7,700 (car) + $6,600 (car) + $2,200 (meals) = $16,500.

3. MantCo uses the type 1 rate to gross up the fringe benefits that included GST:
   $16,500 × 2.0802 = $34,323 (rounded to the nearest dollar).
4. The total taxable value of the fringe benefits that did not include GST is:
   $6,000 (school fees).
5. MantCo uses the type 2 rate to gross up the fringe benefits that did not include GST:
   $6,000 × 1.8868 = $11,321 (rounded to the nearest dollar).
6. The total fringe benefits taxable amount is:
   $34,323 + $11,321 = $45,644
7. MantCo uses the FBT rate to calculate the total FBT it must pay:
   $45,644 × 47% = $21,452.68.

How to calculate FBT – for FBT-exempt and rebatable not-for-profit organisations

There are additional steps in the FBT calculation if you are a **not-for-profit organisation that is exempt from FBT or eligible for the FBT rebate**.

This is because the benefits you provide to your employees are exempt or rebatable, up to a capping threshold for each employee.

Use the calculator to work out the FBT payable for the fringe benefits you provide to each of your employees.

Not-for-profit FBT calculator

FBT-exempt employers – calculate FBT manually

For FBT-exempt employers, fringe benefits you provide to an employee are exempt from FBT, up to a capping threshold. Any fringe benefits in excess of the capping threshold do not qualify for this exemption.

To manually calculate your FBT exempt and non-exempt amounts, see **FBT guide: 6.10 Calculating the FBT exemption**.

Rebatable employers – calculate FBT manually

For rebatable employers, you apply a rebate to the grossed-up value of fringe benefits you provide to an employee, up to a capping threshold. Any fringe benefits in excess of the capping threshold do not qualify for the rebate.

To manually calculate your FBT amounts and rebate, see **FBT guide: 6.11 Calculating the FBT rebate**.

QC 71172

Fringe benefits tax could be attached to staff perks

Rewarding your team with perks can be good business. Understanding the fringe benefits tax (FBT) implications is too.

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Perk or fringe benefit?

It's not just salary and wages that matter.

Perks can be great for attracting, rewarding and retaining staff. But some perks are considered 'fringe benefits' and could create fringe benefits tax (FBT) obligations for your business.

A fringe benefit is like a payment to your employee in addition to their salary or wages, but in a non-cash form. It also counts if you provide perks to your employees' family members or other associates. If a perk you're providing is a fringe benefit, FBT could be attached and your business may need to pay it.

Knowing what counts as a fringe benefit can make it easier to understand your obligations and get it right.

Could the perks you provide attract FBT?

Some perks you provide employees may attract FBT. You may be providing them without realising FBT applies.

For example, you might:

- allow an employee to take a work vehicle home, or use it on weekends
- provide an employee with car parking
- pay for gym memberships as part of an employee wellbeing program
- give an employee tickets to a concert to recognise their hard work
- reimburse an employee for self-education expenses they paid for
- provide staff and their associates with food and drinks at a staff party

If any of these sound familiar, they may attract FBT. Review the perks you provide to understand whether FBT applies.

What to do next

Unsure whether the perks you provide could attract FBT?

A good place to start is to review the perks you provide beyond salary and wages. Ask yourself:

- Do we provide employees with any benefits in addition to salary and wages?
- Do employees receive perks for personal use?
- Have we recently introduced any new perks or benefits for employees?

If you answered 'yes' or 'not sure' to any of these, take a closer look to understand if FBT applies and the obligations your business needs to meet.

Take the first step to working out your FBT obligations and explore the **common benefits** to learn when FBT may apply.

Support and resources

Need help working it out? A registered tax professional can help you identify the fringe benefits you may be providing, whether FBT applies and how to meet your FBT obligations.

We also have free resources, information, tools and guidance to help you understand and manage your FBT obligations, including:

- **Fringe benefits tax – a guide for employers** for detailed guidance on FBT
- Small business tax super and you short courses to help you build your FBT knowledge
- practical information, tools and resources at **Fringe benefits tax (FBT)**.

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QC 107994

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