

COVID-19 vaccination incentives and rewards – your tax and super obligations

Determining your tax and super obligations where you give COVID-19 vaccination incentives and rewards to your employees

Key points

- If you give your employees incentives or rewards for getting their COVID-19 vaccination, you need to consider any tax and super obligations. These tax and super obligations also apply to incentives or rewards offered for a COVID-19 booster dose.
- The tax and super consequences differ depending on whether you give your employees a cash payment, paid leave, transport to and from the vaccination, or other non-cash benefits.
- The tax consequences are different depending on whether the incentive or reward is available exclusively to employees, or more generally to clients or the public.

Cash payment for getting the vaccine

If you give your employees a cash payment for getting vaccinated (for example, a \$200 payment), you need to:

- report the payment via Single Touch Payroll (STP) as part of the employee's salary or wages
- withhold tax from the amount under pay as you go (PAYG) withholding, and
- include the amount in your employee's ordinary time earnings for the purpose of determining your super contributions for your employee.

If you have already made a cash payment and did not withhold tax, you should contact us straight away so that we can consider the remission of any applicable failure-to-withhold penalties.

If you have not made super contributions, you need to ensure you make them no later than 28 days after the end of the quarter in which the cash payment was made, otherwise you may be liable for super guarantee charge.

See also:

- [List of payments that are ordinary time earnings](#)
- [Failure to withhold](#)
- [Tax and super when engaging an employee – while an employee works for you](#)

Paid leave

If you give your employees paid leave to get their COVID-19 vaccination or additional paid leave to recover from any COVID-19 vaccination side effects, your employee earns salary or wages while they are on paid leave.

You should withhold tax under PAYG withholding and make super contributions on the amount as you usually would.

See also:

- [Tax and super when engaging an employee – while an employee works for you](#)

Transport to and from the vaccination

If you provide or pay for an employee's transport to get their COVID-19 vaccination, there is generally no fringe benefits tax (FBT) payable. The travel is associated with work-related preventative health care and is exempt from FBT.

See also:

- [Fringe benefits tax – a guide for employers - Chapter 20 – Exempt benefits](#)

Other non-cash benefits

Other non-cash benefits you provide to your employees may be subject to FBT. Non-cash benefits could include:

- goods and services
- vouchers and gift cards, or
- points in a reward scheme.

The FBT treatment of these kinds of benefits will depend on their specific terms and conditions, and the benefits may be subject to FBT unless an exemption or reduction applies.

The fringe benefits you provide may also need to be included in your employee's reportable fringe benefits amount and reported on your employee's income statement.

Benefits that you provide to the general public

You may be providing free or discounted goods, services, vouchers, gift cards or reward points to everyone that has had their COVID-19 vaccination. This could be offered to the public at large or to all members of a club (for example, if the employer is an automobile club).

If such benefits are provided generally to people who have been vaccinated (and not just to employees), no FBT will apply to benefits provided to employees as the benefit is not provided in respect of the employment of the employee.

Exemption for minor benefits

You may provide a non-cash benefit that qualifies for the minor benefits exemption. A benefit that has a value of less than \$300 may be exempt from FBT as a *minor benefit* if it would be unreasonable to treat it as a fringe benefit after considering the following five criteria:

- the benefit is provided infrequently and irregularly
- the value of the minor benefit and other similar or identical benefits is low
- the total value of the minor benefit and other benefits provided in connection with it is low
- it is difficult to calculate the taxable value of the benefit and any associated benefits, and
- the benefit is provided as a result of an unexpected event.

There are exclusions where the minor benefits exemption does not apply, such as for in-house fringe benefits and minor entertainment benefits provided to employees of income tax exempt organisations.

See also:

- [Minor benefits exemption](#)
- [Fringe benefits tax – a guide for employers - Chapter 20 – Exempt benefits](#)

Reduction in taxable value for in-house fringe benefits

You may be entitled to a reduction in FBT where you provide a non-cash benefit that qualifies as an in-house fringe benefit. Broadly, in-house fringe benefits are benefits that are identical or similar to the benefits you provide to customers in the ordinary course of business. If you give one or more in-house fringe benefits to an employee during the FBT year, you can reduce the aggregate of the taxable values of the in-house fringe benefits by \$1,000 if the benefits are not provided under a salary packaging arrangement.

See also:

- [Fringe benefits tax – a guide for employers - Chapter 1 – What is fringe benefits tax?](#)

- [Fringe benefits tax – a guide for employers - Chapter 19 – Reductions in fringe benefit taxable value](#)
- [Fringe benefits tax – a guide for employers - Chapter 20 – Exempt benefits](#)

Entries in a draw to win prizes

If you offer a prize draw exclusively to your employees, there are no FBT consequences when the entry to the draw is given to the employee because you do not know which employee will receive a benefit. However, FBT may apply when the winner *receives* their prize unless an exemption (such as the minor benefits exemption) or a reduction (such as the in-house benefits reduction) applies.

No FBT applies if you make a prize draw, including the prize, available generally to the public or people who have been vaccinated and not just to employees.

See also:

- [Fringe benefits tax – a guide for employers - Chapter 20 – Reductions in fringe benefit taxable value](#)
- [Fringe benefits tax – a guide for employers - Chapter 20 – Exempt benefits](#)

Examples

The following are some examples of COVID-19 vaccination incentives and rewards given by employers to their employees, and the tax treatment that arises.

Example 1 – employer gives employee goods

A shoe store gives each employee who receives both of their COVID-19 vaccinations shoes of their choice up to the value of \$300. Dominic, an employee, receives both of his vaccinations and receives two pairs of shoes with a total retail value of \$300.

The shoes are in-house property benefits and the store does not give their employees any other in-house benefits during the FBT year. The employer is within the \$1,000 aggregate threshold for in-house benefits provided to Dominic and the other requirements relating to the concession are met. The taxable value of the fringe benefit is reduced to nil and the store has no FBT obligation in respect of those benefits.

Example 2 – employee receives cash payment

Miranda's employer is offering all of its employees a \$200 payment for getting both of their COVID-19 vaccinations. Miranda receives an extra \$200 in her fortnightly pay and her employer reports this as salary and wages on her income statement at the end of the income year.

The amount is also included in Miranda's ordinary time earnings for super guarantee purposes.

Example 3 – free goods available to public

Food Co offers customers who have received both of their COVID-19 vaccinations a free meal. This offer is available to the general public, including Food Co's employees.

No FBT arises if free meals are provided to Food Co employees under this promotion because they are not provided in respect of their employment with Food Co, as the promotion is available to all vaccinated customers.

More information

For more information, you may wish to contact your registered tax professional.

You can see also:

- [Fringe benefits tax \(FBT\)](#)
- [Fringe benefits tax – a guide for employers](#)
- [COVID-19 vaccination incentives and rewards for employees](#)

ATO Siebel reference: 1-NRMTHPY

Summary of tax treatments

The following table provides a summary of the tax and super treatment of different types of incentives or rewards that you may give your employees for getting their COVID-19 vaccination.

Payment or benefit	Reported via STP ¹	PAYG Withholding	FBT ²	Super Guarantee
Cash payment	✓ Yes	✓ Yes	✗ No	✓ Yes
Salary or wages paid/earned while on paid leave ³	✓ Yes	✓ Yes	✗ No	✓ Yes
Transport to and from vaccination	✗ No	✗ No	✗ No	✗ No
Goods or services, including a voucher	✗ No	✗ No	✓ Yes ⁴	✗ No
Competition entries given to employees	✗ No	✗ No	✗ No ⁵	✗ No
Prizes in competition won by employees	✗ No	✗ No	✓ Yes ⁶	✗ No
Points which can be redeemed for goods or services	✗ No	✗ No	✓ Yes ⁷	✗ No

¹ A fringe benefit may also be reported via STP if it is part of their reportable fringe benefits amount.

² If the non-cash benefit is available to the public at large, FBT will not apply. Refer to this fact sheet for more information.

³ Treated just like any other salary and wages earned while on paid leave.

⁴ Unless the minor benefits exemption, property exemption or in-house benefits reduction applies.

⁵ No FBT at the time the entry is given. FBT may apply when the prize is awarded.

⁶ Unless an exemption or reduction applies.

⁷ FBT may apply depending on the facts and circumstances of the points program.

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