


***CR 2025/82 - Alliance Leasing Pty Ltd - recipient's
payments made after 31 March but before lodgment
of the FBT return***

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Status: **legally binding**

Class Ruling

Alliance Leasing Pty Ltd – recipient's payments made after 31 March but before lodgment of the FBT return

❗ Relying on this Ruling

This publication is a public ruling for the purposes of the *Taxation Administration Act 1953*.

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

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What this Ruling is about

1. This Ruling sets out the fringe benefits tax (FBT) consequences for employer clients of Alliance Leasing Pty Ltd (Alliance Leasing) of 'recipient's payments' made by their employees – in particular, whether:

- an employee's 'recipient's payments' made after the end of the FBT year, but before lodgment of the employer's FBT return can be allocated to the prior FBT year to reduce the taxable value of a car fringe benefit to nil, and
- excess 'recipient's payments' made by an employee in a prior FBT year can be applied to reduce the taxable value of a car fringe benefit in a subsequent FBT year where a taxable value arises.

2. Details of this scheme are set out in paragraphs 21 to 33 of this Ruling.

3. All legislative references in this Ruling are to the *Fringe Benefits Tax Assessment Act 1986*.

Note: by issuing this Ruling, the ATO is not endorsing this service. Potential users or participants must form their own view about the service.

Who this Ruling applies to

4. This Ruling applies to you if you are an employer who is a client of Alliance Leasing that provides their employees with a car fringe benefit, where the employees make post-tax employee contributions to reduce the taxable value of the car fringe benefit to nil.

Status: **legally binding**

When this Ruling applies

5. This Ruling applies from 1 April 2025 to 31 March 2029.

Ruling

Relevant law

6. The taxable value of car fringe benefits is determined by Alliance Leasing using the 20% statutory formula method in section 9. The taxable value of car fringe benefits can also be determined under the cost basis method in section 10.

7. Both methods allow the taxable value of a car fringe benefit to be reduced by the amount of an employee's recipient's payment.

8. The amount of the recipient's payment is defined in both paragraphs 9(2)(e) and 10(3)(c) as follows:

the amount of the recipient's payment is the sum of:

- (i) in a case where expenses were incurred to the provider or employer during the holding period by recipients of the car fringe benefits by way of consideration for the provision of the car fringe benefits—the amount of those expenses paid by the recipients less any amount paid or payable to the recipients by way of reimbursement of those expenses; and
- (ia) in a case where car expenses in respect of fuel or oil for the car were incurred during the holding period by recipients of the car fringe benefits and:
 - (A) the persons incurring those expenses give to the employer, before the declaration date, declarations, in a form approved by the Commissioner, in respect of those expenses; or
 - (B) documentary evidence of those expenses is obtained by the persons incurring the expenses and given to the employer before the declaration date;

the amount of those expenses paid by the recipients less any amount paid or payable to the recipients by way of reimbursement of those expenses; and

- (ii) in a case where:
 - (A) car expenses in respect of the car (other than car expenses in respect of fuel or oil for the car) were incurred during the holding period by recipients of the car fringe benefits; and
 - (B) documentary evidence of those expenses is obtained by the persons incurring the expenses and given to the employer before the declaration date;

the amount of those expenses paid by the recipients less any amount paid or payable to the recipients by way of reimbursement of those expenses ...

9. The definition does not state when the payment is required to be made. However, payment must be made in return for obtaining the car fringe benefit.

10. Miscellaneous Taxation Ruling MT 2050 *Fringe benefits tax: payment of recipients contribution by journal entry* states at paragraph 3:

If payment of an employee's contribution is to be by journal entries, those entries may be made at the time the books of account are written up for income tax purposes.

Status: **legally binding**

11. In respect of circumstances where an employee makes excess post-tax contributions in a prior FBT year, ATO Interpretative Decision 2005/210 *Employee contributions: excess contributions used in a later FBT year* states our position in respect of utilising excess contributions to reduce the taxable value of a fringe benefit in a subsequent year.

12. In ATO ID 2005/210, we accept that:

[a]mounts that are paid to the employer in excess of these amounts are not recipient's payments in this year, and can be either refunded to the employee, or dealt with as agreed between the employer and the employee, including being set aside for a later FBT year.

Application of relevant law to Alliance Leasing Pty Ltd's circumstances

13. The employee has entered into a salary sacrifice arrangement (SSA) to make after-tax recipient's payments equal to the taxable value of the car fringe benefit.

14. Typically, the after-tax deduction amount required to reduce the taxable value to nil aligns with each FBT year; however, occasionally it does not.

15. Where the after-tax deduction amount does not align with an FBT year, it is intended, at the time of providing the benefit, that future payments will be made to reduce the taxable value of the car fringe benefit to nil.

16. Required future payments will be made over one to 4 pay runs to ensure extra payments are made by the time of lodgment of the FBT return.

17. The terms and conditions of the Novated Lease and Salary Package Confirmation Report indicate that employees will make after-tax recipient's payments in return for being provided with a car fringe benefit, and payments will be calculated, and varied if required, to reduce the taxable value of the car fringe benefit to nil.

Circumstances where an employee's post-tax contributions are received after the end of an FBT year, but before lodgment of the employer's FBT return

18. Having regard to circumstances where an employee's post-tax contributions are received after the end of an FBT year, but before lodgment of the employer's FBT return, we accept that:

- (a) at the time the car fringe benefit was provided to an employee, that employee intended to make after-tax recipient's payments to reduce the taxable value of the car fringe benefit to nil through making future payments, and
- (b) those future payments (as referred to in (a) of this paragraph) are recipient's payments.

19. Accordingly, as the intention is that the employee make future payments equal to the taxable value of the car fringe benefit, we accept that any payments made under a novated lease arrangement with Alliance Leasing's employer clients – following the end of the FBT year where a taxable value arises, but prior to the lodgment of the employer's FBT return – are 'recipient's payments' in the prior FBT year.

Status: **legally binding**

Circumstances where an employee of one of Alliance Leasing Pty Ltd's employer clients makes excess post-tax contributions in a prior FBT year

20. Having regard to circumstances where an employee of one of Alliance Leasing's employer clients makes excess post-tax contributions in a prior FBT year, such circumstances are considered to be comparable to the facts set out in ATO ID 2005/210. Accordingly, we accept that any excess payments arising under a novated lease arrangement with Alliance Leasing's employer clients made in an FBT year can be applied to reduce the taxable value in a subsequent FBT year.

Scheme

21. The following description of the scheme is based on information provided by the applicant. If the scheme is not carried out as described, this Ruling cannot be relied upon.

22. Alliance Leasing administers car fringe benefits via SSAs on behalf of its employer clients. Such car fringe benefits are normally provided by way of a fully maintained novated lease agreement.

23. Under the SSA, the employee agrees to forgo future salary and wages to receive a fully maintained novated lease in respect of a motor vehicle.

24. Employees of Alliance Leasing's employer clients enter into an effective SSA which includes a requirement by the employee to make post-tax contributions towards the provision of the car fringe benefit. Under this arrangement, it is agreed that the post-tax contributions will equal the taxable value of the car fringe benefit and thus reduce the taxable value to nil.

25. For new novated leases entered into by Alliance Leasing, the employee is provided a quote from Alliance Leasing, which the employee signs if they wish to proceed.

26. Generally, a deed of novation may be entered into with a financier in addition to the arrangement between the employer and employee.

27. The car fringe benefit is calculated using the 20% statutory formula method enabling the taxable value to be calculated, agreed to, and documented in the quote prior to the commencement of the lease.

28. The quoting system calculates the employee's post-tax contribution required to reduce the taxable value to nil over the full lease term (typically, 60 months). An employer's pay cycle, including the pre-tax and after-tax components of the salary-sacrificed car fringe benefit (that is, the novated lease), may be weekly, fortnightly, 4-weekly, or monthly.

29. Due to contract commencement dates and payroll cycles, the first FBT year of a lease arrangement generally shows a shortfall in post-tax contributions, resulting in a taxable value for FBT purposes. Subsequent years are generally a nil taxable value, and the final year generally has excess post-tax contributions.

30. The agreement entered into by the employee with Alliance Leasing (on behalf of their employer) does not require the employee to make any further after-tax contribution to the employer after the FBT year ends to ensure the taxable value of the car fringe benefit is reduced to nil. Instead, the shortfall post-tax contribution amount is credited from the next available pay run or runs after the conclusion of the FBT year. Any such prior-year shortfall is typically recouped before the lodgment of the employer's FBT return for the FBT year in which the shortfall arose.

Status: **legally binding**

31. In some cases, the employee may make post-tax contributions that exceed the taxable value in the FBT year.

32. Where a lease expires with excess post-tax contributions, the excess is refunded to the employee or rolled into the provision of a new benefit.

33. Adjusting individual post-tax contributions across hundreds of leases for each FBT year is administratively burdensome, especially given the taxable value across the entire lease term is reduced via the total post-tax contributions to zero.

Commissioner of Taxation

26 November 2025

Status: **not legally binding**

References

Related rulings and determinations:

MT 2050

- FBTA 10
- FBTA 10(3)(c)

Legislative references:

- FBTA 9
- FBTA 9(2)(e)

Other references:

- ATO ID 2005/210

ATO references

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