



Welcome to the **Fringe Benefits Tax (FBT)** edition of our client newsletter for 2026 which provides a summary of the important changes to FBT legislation for this year.

If you are in any doubt about your particular FBT circumstances, please contact your StewartBrown Manager or Partner.

2026 Year Update

For the 2026 FBT Year, the FBT rates remain unchanged as below:

- FBT tax rate - 47 per cent
- The gross up rates - 2.0802 and 1.8868 for Type 1 and Type 2 benefits, respectively
- The FBT rebate (for the FBT-rebatable employers) - 47 per cent

For the FBT-exempt and FBT-rebatable employers that currently provide fringe benefits to their employees, any excess amount over the respective threshold is either effectively non-rebatable or is subject to FBT.

2026 FBT Year Rates

Type of employer	Grossed-up taxable value (per employee)	Non-grossed-up taxable value equivalent (Type 1 benefit only)	Non-grossed-up taxable value equivalent (Type 2 benefit only)
FBT-exempt employers <ul style="list-style-type: none"> • Public Benevolent Institutions and Health Promotional Charities • Hospitals (public and non-profit) and public Ambulance Services 	\$30,000	\$14,421	\$15,899
FBT-rebatable employers	\$30,000	\$14,421	\$15,899
Salary sacrificed	\$5,000	\$2,404	\$2,650

Electric Vehicle Discount

From 2024 onwards, there were major changes to electric vehicle discounts, which provide an FBT exemption for electric cars (and their associated running expenses) that are used or made available to employees for private use, provided the relevant requirements are met.

To be eligible for the FBT exemption:

- the employee receiving the benefit must be a current employee
- the car is a zero or low emission vehicle
- the value of the car at first retail sale must be less than the Luxury Car Threshold for fuel efficient vehicles (\$91,387 for 2025-26)
- the car must be first held for use on or after 1 July 2022

It should be noted that even though these benefits will be exempt from FBT, they will still need to be reported on the employees Income Statements as reportable fringe benefit amounts. The taxable value will need to be calculated as though the exemption did not apply.

From 1 April 2025, plug-in hybrid electric vehicles (PHEVs) will no longer qualify for the FBT exemption.

Businesses that already have a financially binding commitment in place before this date - such as a purchase or lease agreement - will still be able to apply for the exemption, provided there are no changes to the arrangement.

Any new commitments or modifications to existing leases after 1 April 2025 will result in the loss of the exemption, making the vehicle subject to FBT.

Other Updates and Considerations

Guidelines for Exempt Vehicle Benefits (i.e. Commercial Vehicles)

Many employers incorrectly believe that there is no FBT liability to consider for commercial vehicles (e.g. panel vans, utility or other commercial vehicles not designed principally to carry passengers). This is not the case.

The ATO guidelines state that private use of these vehicles must be restricted to travel between home and work (and back) and that any diversion in travel must add no more than 2kms to the journey (e.g. picking up children from school).

In addition, the vehicle must not travel more than 1,000kms per year in private usage (e.g. holidays) and no single journey for private purposes can exceed 200kms. If the vehicles private usage exceeds these guidelines an FBT liability may arise.

If you have provided commercial vehicles to employees, we strongly encourage you to speak with us concerning your potential FBT liability for these vehicles.

Car Fringe Benefits – Concession for Car Fleets

From 1 April 2017, employers who maintain a fleet of 20 or more ‘tool of trade’ cars that are valued under the operating cost method could apply the average business use percentage to the fleet where the employer has a valid logbook for **at least 75% of the fleet**.

There are additional requirements that must be met to utilise this concession, including: mandating employees to keep logbooks, choosing the make and model of the cars provided which does not form part of the employee’s remuneration package and ensuring that the GST-inclusive acquisition value is less than the luxury car limit.

Benefits Provided via the use of a Debit Card

It is critical that employers that provide debit cards to employees as part of a salary sacrifice agreement place a restriction on cash withdrawals.

At the end of each FBT year, it is also important that employers conduct a reconciliation of benefits provided to avoid creating any FBT exposure in the following FBT year (especially when an employee has not used all available funds on their debit card during an FBT year).

Guidelines for Travel Expenses

In 2021 the ATO issued a new Tax Ruling (TR2021/1) and a new practice guideline (PCG 2021/3) providing new guidance regarding whether an employee’s travel expenses are deductible, particularly the distinction between travelling ‘on work’ or for private purposes.

Employers that reimburse or provide an employee’s travel costs, including transport, food and accommodation, should consider whether these are private expenses resulting in a FBT liability.

Changes to FBT Record Keeping

The government previously announced a proposal to provide the Commissioner of Taxation with the power to allow employers to rely on alternative records to finalise their FBT returns. This measure is now law. It applies to the 2025 FBT year (1 April 2024 to 31 March 2025) and onwards.

For certain benefits, employers will have a choice to use existing records in place of travel diaries or employee declarations. This will only apply if the Commissioner has made a legislative instrument prescribing the alternative records.

If an employer chooses to use alternative records, the information they are required to keep in order to support their FBT return remains unchanged under FBT law.

Audit Spotlight

The latest ATO statistics estimates that there is an annual FBT tax gap of over 1 billion dollars, being the difference between the amount expected to be collected and the amount actually collected. The ATO have officially confirmed they will be focusing on the following areas:

- documentation and declarations – ensuring their completeness and validity
- car parking benefits
- car benefits especially calculation of taxable benefits and exemption entitlements
- expense payment benefits

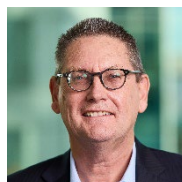
For more professional advice about the above FBT issues feel free to arrange a discussion with your StewartBrown Manager or Partner.



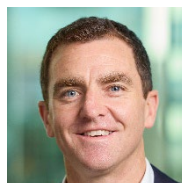
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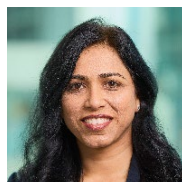
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