



Public Benevolent Institutions Lodgement and Reporting Obligations

Introduction

The Fringe Benefits Tax (FBT) year ended on 31 March 2026 and each employer is required to calculate their FBT liability. This newsletter is produced to assist our Public Benevolent Institution (PBI) clients in understanding and complying with their obligations.

FBT Obligations

PBIs can provide exempt benefits to an employee up to a grossed-up taxable value of \$35,000 (including a \$5,000 cap for salary sacrificed meal entertainment and entertainment facility leasing expenses ('EFLEs')). Where this capping threshold has been exceeded for a particular employee, the employer must lodge an FBT return and pay FBT. If this is the case you are required to:

1. Register for FBT with the Australian Taxation Office (ATO), if not already registered;
2. Determine your FBT liability for the year ended 31 March 2026 under the FBT legislation;
3. Calculate Reportable Fringe Benefits amounts for inclusion on employee income statements for the year ending 30 June 2026; and
4. Prepare and submit an FBT return and pay your calculated liability.

1. Registering for Fringe Benefits Tax

If you are not already registered for FBT and are required to do so we recommend that you apply as soon as possible. Please contact our office on (02) 9412 3033 if you require assistance.

2. Determining your FBT Liability

To determine your FBT liability it will be necessary to:

- a) Identify, by benefit type, what taxable fringe benefits have been provided, dissected between:
 - Type 1: Those carrying a GST input tax credit entitlement. (Apply a gross-up rate of 2.0802) and
 - Type 2: Those carrying **no** GST input tax credit entitlement. (Apply a gross-up rate of 1.8868);
- b) Calculate the grossed-up taxable value by benefit type in accordance with the FBT valuation rules; and
- c) Once the above values have been calculated, prepare a summary by employee and by benefit type to determine if the grossed-up taxable value of these benefits exceeds the \$30,000 (or the

\$35,000 threshold where there is salary packaged meal entertainment and EFLEs) for any employee during the FBT year. Where this threshold is exceeded the excess is referred to as the "Aggregate Non-Exempt Amount" on which FBT is payable at the current rate of 47%.

a) Identifying benefits provided

It is likely that the main forms of taxable benefits being provided will be motor vehicle and expense payment benefits (e.g. credit card and mortgage payments), which we will focus on in this letter. To assist in identifying whether you have provided other taxable benefits and in compiling the necessary records to value the benefits please refer to the following newsletters and forms:

- FBT refresher of recent changes during the year - which you may need to consider when determining your FBT liability;
- FBT - Summary of Taxable Benefits Typically Provided – to assist you in determining whether you may be providing taxable benefits to your employees;
- FBT – Income Statement Reporting Obligations;

Please note that the newsletters listed above have been written for our wider client base and do not cover issues specific to PBI clients, which are addressed elsewhere in this letter. The key differences for PBIs is the FBT-exempt grossed-up taxable value up to \$35,000 (including a \$5,000 cap for salary sacrificed meal entertainment and EFLEs) per employee and the exemption of certain additional benefits, including **non-salary packaged** meal entertainment, car parking and **non-salary packaged** EFLEs.

It should also be noted that:

- any fringe benefits which are specifically exempt from FBT are excluded when determining whether a PBI has exceeded its \$30,000 ceiling, and
- even though a pooled or shared car is not a reportable fringe benefit under FBT legislation, each employee's share of the grossed-up taxable value of the car will still count towards the \$30,000 ceiling.

b) Valuation of benefits

Car Benefits – Statutory Formula Method

To value car benefits under this method the following information is required for each car:

- **Base value** – please use the enclosed Motor Vehicle Base Value Calculation Worksheet. GST must be included for all cars acquired after 1 July 2000. Where possible we also ask that a copy of the

dealer's invoice be attached to this worksheet for new purchases during the year;

- **Odometer readings at 31 March 2026**, or if a car was acquired or disposed of during the year, the odometer reading at that time - please use the enclosed motor vehicle register. Where a car has been provided to more than one employee during the year it will be necessary to record odometer readings at the time of the transfer, in order that the taxable value can be fairly allocated between employees;
- **The number of days the car was not available for private use by an employee.** This has the effect of reducing the taxable value of the benefit, therefore it will be necessary to produce sufficient records before applying this reduction. This is a common area of audit adjustment by the ATO; and
- **Recipient's payment** – the amount, if any, of the employee's contribution in after tax dollars, towards the running expenses of the car, either paid directly (e.g. petrol) or reimbursed to the employer.

Car Benefits – Operating Cost Method

To value car benefits under this method the following information is required for each car:

- **A properly prepared logbook** – refer to requirements outlined in the attached Newsletter "Summary of Taxable Benefits Typically Provided". It has been our experience that employees find it difficult to maintain a logbook that would withstand the scrutiny of an ATO audit. We therefore caution our clients to review and challenge logbooks prior to relying on them to calculate their FBT liabilities;
- **The business use percentage of the car**, as determined mostly by reference to the logbook, but also having regard to variations in the pattern of business usage throughout the year due to such factors as holidays, seasonal fluctuations and variation in employment duties;
- **Base value** – the requirements are identical to those mentioned above under the Statutory Formula Method. The base value is used to calculate depreciation and an imputed interest charge, which form part of the overall operating costs;
- **A summary of the GST inclusive operating costs** for the year, including those incurred by the employee. Typical operating costs are petrol, insurance, registration, repairs, service, deemed depreciation and imputed interest (if owned) and lease payments (if leased). Road and bridge tolls and parking expenses are not regarded as car expenses and do not form part of a car's operating costs; and
- **Recipient's payment** – the amount, if any, of the employee's contribution in after tax dollars, towards the running expenses of the car, either paid directly (e.g. petrol) or reimbursed to the employer.

- **Odometer readings at 31 March 2026**, or if a car was acquired or disposed of during the year, the odometer reading at that time - please use the enclosed motor vehicle register.

Expense Payment Benefits

An expense payment benefit arises when an employer pays or reimburses expenses incurred by an employee (e.g. credit card repayments, home loan repayments, school fees, telephone etc). Many of our PBI clients allow employees to package a certain percentage of their remuneration by way of fringe benefits, with the packaged amount transferred each pay period to an account that is externally managed by a salary packaging provider. From an FBT perspective the amount is not subject to FBT at the time of transfer, rather when it has been applied against an employee's subsequent claim.

In order to correctly value these expense payment benefits the following information is required:

- Opening balance of the employee's unexpended benefits account as at 1 April 2025;
- Transfers into this account during the year;
- Payments made from this account during the year (GST inclusive). These are the amounts subject to FBT in the 2026 year;
- Closing balance of the employee's unexpended benefits account as at 31 March 2026.

Please note that the above rules do not apply where the funds are transferred from the employer directly to a debit or credit card held in the name of the employee. In these circumstances the ATO considers the benefit has been provided at the time of the transfer.

- **The payments made must be dissected between Type 1 and Type 2 benefits** to obtain the correct gross-up rate. The benefits will be Type 1 benefits with a gross up rate of 2.0802 where a GST input tax credit entitlement was conferred on the employer. This occurs where the employer pays an employee's individual expense that has GST in the price (e.g. home telephone bill). The benefits will be Type 2 benefits with a gross-up rate of 1.8868 where no GST input tax credit entitlements exist. This occurs where the employer pays an employee's individual expense that has no GST in the price (e.g. home loan, credit card debt repayment, school fees or residential rent).

c) Prepare a summary of taxable benefits by employee

Once all fringe benefits provided have been identified and valued it is necessary to prepare a summary of these benefits by employee in order to determine:

- Whether the grossed-up taxable value of non-exempt benefits provided to any one employee exceeds the grossed-up capping threshold of \$30,000 (or \$35,000 where there is salary packaged meal entertainment and EFLEs grossed-up taxable

value of \$5,000), and thus whether an FBT liability exists; and

- The value of reportable fringe benefits to be reported on the employees' 2026 income statement.

To summarise this information, we recommend that you use a format similar to the enclosed worksheet titled "FBT – Calculation of Aggregate Non-Exempt Amount, FBT Liability and Reportable Fringe Benefits by Employee". This summary could also be given to the employee to help substantiate the reportable fringe benefits amount included on their income statement.

Once these summaries have been completed for all relevant employees the employer's total FBT liability can be determined by adding together each employee's Aggregate Non-Exempt Amount and FBT Liability using a format similar to the enclosed worksheet entitled "FBT - Summary of Aggregate Non-Exempt Amount & FBT Liability by Employee". The total "Aggregate Non-Exempt Amount" will need to be disclosed in the FBT return.

3. Preparing and submitting your FBT return

Having calculated the total "Aggregate Non-Exempt Amount" in accordance with 2 above, this amount is to be included at item 14C in the FBT return.

The second major part of the return requiring completion is the information at item 23, which requires the number and taxable values of benefits to be disclosed by benefit type, rather than by employee.

The information to be included at this item relates to the taxable value of benefits provided to all employees, not just those employees with a grossed-up taxable value in excess of the \$30,000 (or \$35,000) cap.

As you can see from the above, preparation of the return is not a straightforward process. We can assist in preparing or reviewing your FBT returns should you require.

All returns are due for lodgement by 21 May 2026, unless you lodge through a tax agent, in which case the deadline is 25 June 2026. If processed through us your return can be lodged electronically, or alternatively a hard copy can be mailed to the ATO at the following address: "Australian Taxation Office, GPO Box 9845, IN YOUR CAPITAL CITY"

Payment of the balance of your FBT liability (if applicable) is due by 25 June 2026 (or 21 May 2026 if you prepare and lodge without a Tax Agent) and can be made either by mail, BPay or at any Post Office using the Payment Advice, which will be sent to you by the ATO along with your FBT return.

4. Calculate reportable fringe benefits amounts

This topic is covered in the enclosed newsletter "Income Statement Reporting Obligations" in conjunction with item 2 above.

5. Australian Tax Office audits

The ATO undertakes on-going audits to cover fringe benefits provided by employers to their employees and to associates of employees. Accordingly, it is essential for all employers to carefully identify all applicable fringe benefits and to ensure that all required documentation is obtained to support the calculation of each benefit.

The Next Step

We appreciate that the FBT rules are complex and hope that this newsletter has assisted in clarifying your FBT obligations. As you would appreciate, because of this complexity it is impossible to cover all issues relating to FBT in this brief update, which is designed to give you an executive summary of your obligations.

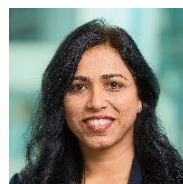
In view of the above issues we have assigned **Rob Morris (Manager)** to be our prime referral point for all FBT and salary packaging matters. Should you have queries in respect of any matter raised in this update, please do not hesitate to contact Rob on (02) 9412 3033 to discuss these issues or to arrange a visit to your organisation.



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