



## Financial and Business Services Division

# FBT Definitions Guide

- **Benefit:** this is defined very broadly and includes any right, privilege, service or facility. It excludes salary and wages, superannuation contributions and termination payments. For valuation, benefits are divided into specific categories (e.g. car, entertainment, etc.). Any benefit not covered by a specific category is valued as a residual fringe benefit.
- **Employee/associate:** to be a fringe benefit, a benefit must be provided to an employee or an associate of the employee (e.g. partner, relative). A fringe benefit also arises when provided to a related entity's employee or their associate. Generally, a person is an employee if any cash remuneration paid is treated as 'salary or wages' for PAYG purposes. An employee also includes a person who receives a benefit which would constitute salary or wages had the benefit been provided by way of cash. For example, a foundation president, who receives no salary, is provided with a car to use in return for their work with the foundation. If the president had been paid cash for their work, it would constitute wages. The president is an employee for FBT purposes and the University would be providing a taxable car fringe benefit. Past, present and future employees are also 'employees' for FBT purposes.
- **Taxable value:** this is the value of the fringe benefit according to specific valuation rules for each type of benefit. Since 1 April 1994, FBT has been payable on the 'fringe benefits taxable amount', being the aggregate of the taxable values 'grossed up'. With the introduction of the Goods and Services Tax (GST) the taxable value of a fringe benefit is the *GST-inclusive value*.
- **Otherwise Deductible Rule:** this rule provides that the taxable value of a benefit may be reduced by the amount of the income tax deduction that would have been allowable if the employee had met the expense and not been reimbursed. For example, the University pays an annual subscription to a professional body for a staff member that the employee would have claimed as a deduction on their individual tax return. No FBT is payable in this instance and no deduction may be claimed by the employee.
- **Employee contribution:** where an employee contributes (from after-tax income, not the salary sacrifice component) to the cost of the benefit provided by the University, this contribution generally reduces the taxable value of the benefit (e.g. the staff member contributing towards the cost of the University-supplied motor vehicle reduces the FBT that otherwise would have been payable).
- **Exempt benefits:** Certain fringe benefits are classed as exempt benefits, meaning they are not subject to FBT. A list is contained in paragraph 13 of the [Fringe Benefits Tax—General guide](#) sheet.