

2026 FBT Guide



Reduce FBT risk and improve your FBT compliance. Use this guide as your go-to resource together with our FBT Checklist to identify your fringe benefits and the required workpapers for the 2026 FBT year.



Disclaimer: This material should not be used or treated as professional advice and readers should rely on their own enquiries in making any decisions concerning their own interests.

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1 INTRODUCTION

Fringe Benefits Tax (FBT) is a tax payable by employers on non-cash benefits provided to employees or their associates in addition to salary or wages. It applies to benefits such as cars, housing, entertainment, and other non-cash remuneration.

A fringe benefit will exist if the conditions in the definition in section 136(1) of the Fringe Benefits Assessment Act 1986 (FBT Act) are met. These requirements are:

- there is a benefit;
- it is provided at some point during the year, or in relation to the relevant year of tax;
- it is given to an employee or an associate of the employee;
- it is given by the employer, an associate of the employer, or by another party (an arranger) under an arrangement with the employer or an associate of the employer; and
- it is in relation to the employment of the employee.

2 KEY DATES & DEADLINES

FBT Key Dates & Deadlines	
2026 FBT Year	1 April 2025 to 31 March 2026 – this is the period fringe benefits are assessed.
FBT Return Lodgement & Payment	21 May 2026 (standard lodgement and payment due date) where not registered with a tax agent). This is also the last day a registered tax agent can add a new FBT client to extend the electronic lodgement due date. 25 June 2026 for electronic lodgement through a registered tax agent
Reportable Fringe Benefits Reporting	14 July 2026 to be finalised through Single Touch Payroll (although for some employers, this date is earlier if payroll function is outsourced).

For the 2026 FBT year (1 April 2025 to 31 March 2026):

- The FBT rate remains 47%, matching the top marginal tax rate plus Medicare levy.
- Gross-up rates are unchanged:
 - Type 1 (GST-creditable) = 2.0802;
 - Type 2 (non-GST-creditable) = 1.8868
- Electric vehicle (EV) exemptions continue for zero or low-emission cars under the luxury car tax threshold (\$91,387 for 2025-26).
- From 1 April 2025, plug-in hybrid electric vehicles lost their FBT exemption status.

For a full listing of 2026 FBT rates and thresholds please refer to **Appendix 1 – 2026 FBT Rates & Thresholds**.

3 WHAT'S NEW FOR 2026

3.1 Case Law

Two landmark case decisions are shaping the FBT landscape for the 2026 FBT year. The issue of who is an "employee" for FBT purposes and the controversial concept of what constitutes a "commercial carparking station" are the issues examined by the Federal Court recently.

3.1.1 Benefits to Business Owners (Directors/Shareholders)

In a decision handed down on 27 March 2026, *SEPL Pty Ltd as trustee of the SFT Trust v Commissioner of Taxation [2026] FCAFC 36 (SEPL)* the Full Federal Court has ruled that the provision of luxury vehicles for three brothers who were directors of a trustee company was not fringe benefits, overturning a previous decision.

This is the latest development of a highly contentious issue that has been disputed over the last few years and has major FBT implications for benefits provided to business owners (i.e. shareholders, directors) who are not employees. The Full Federal Court has essentially agreed with the original decision of the Tribunal¹ and held that the brothers were NOT employees under the FBT legislation and therefore the cars were **NOT** provided in respect of employment. Consequently, no FBT arises.

Effectively, the Full Federal Court has ruled that there was an insufficient and material connection between the car benefits provided to three brothers and their activities as directors for them to be deemed employees under section 137 of the FBT Act.

Some pertinent facts of this case were:

- The taxpayer was the corporate trustee of a discretionary family trust, with its directors being three brothers, who were also eligible beneficiaries under the relevant family trust;
- There were no written contracts of employment for any of the three directors, and no record of any Board resolution to enter into such an agreement;
- Three luxury cars were purchased in the company name and made available for both business and private use of each brother with the private use component debited to the beneficiary loan account of their mother;
- despite the absence of a formal employment contract or salary, the brothers were actively working in and taking a 'hands on role' in the business ;
- The brothers did not receive salary and wages from the trust (or directors fees from the trustee company) and the trustee did not directly distribute trust income to the brothers, but rather, trust distributions were made to the individual discretionary trusts associated with each brother; and
- private use component on the vehicles was not claimed as tax deductions.

¹ Original decision in BQKDV FCT [2024] AATA 1796

On the Taxpayer's appeal in the *SFT Case*, the Full Federal Court re-examined two issues; whether the brothers were (1) employees of the trust; and if so, whether (2) the luxury cars were provided to them were in respect of employment.

The Full Federal Court reaffirmed the importance of common law principles when interpreting the statutory definition of "employee" for the purposes of FBT. The Court clarified that section 137 should not be regarded as a "free-standing deeming provision". Instead, its application must be assessed in light of whether the benefit in question would be treated as salary or wages if paid in cash, **and** whether the recipient meets the criteria for employee status based on established common law interpretations.

The Court explained that section 137 **does not** operate as a broad, independent provision that automatically reclassifies every non-cash benefit provided to individuals performing work as salary or wages". on, saying that, *"It relates to salary or wages but does not itself create or deem an employment relationship."*

The Court also said that even if the brothers had been considered to be employees, the vehicles were not provided in respect of their employment and agreed with the Tribunal's conclusion that the benefit arose from the brothers' relationship to the trust, not from any relationship of employment.

Broader Implications - 2026 FBT Return

For 2026 FBT compliance we recommend entities determine whether there are FBT exposures arising. Benefits provided to directors of trustee companies need to be review in the context of both the directors' actions within the trust business and the relevant provisions in the trust deed on use of trust property to determine FBT exposure.

Entities need to consider whether FBT applies by reviewing accounting records and determining how trust distributions and contributions towards provided benefits are addressed. Documentation must exist to clearly demonstrate that any benefits provided to directors of trustee companies are due to their relationship with the trust rather than employment, otherwise FBT may apply.

Beyond 2026? High Court appeal?

We await news on whether the ATO will request special leave to appeal to the High Court.

3.1.2 Controversial "Commercial Carparking"

Essentially, one of the requirements of section 39A for there to be a carparking benefit provided is that there is a 'commercial carparking station' within a 1-kilometre radius of where the employee's car is parked. Consequently, it follows that where there is no 'commercial carparking station' within a 1 km radius of where the car is parked, an employers will not be considered to have provided a fringe benefit in respect of car parking.

In recent years, there has been considerable controversy over the definition of what constitutes a "commercial carparking station". This concept, whilst seeming mundane, could mean the difference between an employer paying FBT on what is considered a carparking benefit or not.

The ATO has had a long-held view that 'special purpose' car parks such as shopping centre car parks and hospital car parks as not considered as being 'commercial car parking stations' (refer to paragraph 56 of Taxation Ruling TR 2021/3). However, this view changed from the 2023 FBT year due to the decision in *Qantas Airways Limited and FCT [2014] AATA 316*, with the ATO considering special purpose car parks to also be commercial car parking stations.

However, the February 2025 Federal Court decision in *Toowoomba Regional Council v FCT [2025] FCA 161* ruled against the ATO's newer, broader interpretation. The Court ruled that a Toowoomba shopping centre car park was not a 'commercial parking station' for FBT purposes as it was not being operated commercially for a profit. The ATO has appealed to the Full Federal Court and the matter was heard in November 2025. Judgement has been reserved so until this matter is resolved, **there is still uncertainty in this area.**

Pending its appeal of the Federal Court decision, the ATO has stated in its Decision Impact Statement on this case that it will not change its administrative position and will continue to apply Taxation Ruling TR 2021/2 and existing guidance on car parking fringe benefits, maintaining that a car park may still be a "commercial parking station" even where pricing discourages long-term parking or the primary purpose is not all-day parking. Consequently, despite the first-instance decision favouring taxpayers, uncertainty remains, and the ATO expects employers to continue assessing car parking FBT in accordance with TR 2021/2 until the Full Federal Court determines the appeal, meaning any reliance on the Toowoomba decision at this stage carries dispute risk.

Pending the outcome of the appeal, employers can either:

- a. choose to apply the ATO view for the 2026 FBT return with the prospect of amendments/refunds if the ATO lose the appeal; or
- b. apply the decision for the 2026 FBT return with risk that if the ATO win the appeal, amendment of the FBT return may be required with interest/penalties imposed.

MKT Note

We recommend a "await and see" approach i.e. wait until the decision on the appeal before amending the treatment. If the appeal is ultimately decided in favour of the taxpayer, employers can then look to amend/object to the prior year assessments to obtain a refund of FBT of not only the 2026 FBT year, but also the earlier FBT years (2023, 2024 & 2025) that have been lodged since the issue of the Commissioner's views in TR 2021/2.

Other Noteworthy Cases

MXSN and FCT [2026] ARTA 186 - Taxpayer fails to prove that Ferrari benefit exempt from FBT but cost base reduced.

4 ATO's 2026 FBT Focus AREAS

This section contains updated guidance and FBT errors that the ATO are scrutinising in 2026.

4.1 Nil or Non-Lodgement

How ATO Detects	FBT Risk
- STP Data Matching - Third party data – Salary packaging providers	Employers providing benefits with a nil taxable value for FBT purposes are not strictly required to lodge an FBT return. That said, it is often advisable to do so, as lodgement of a 'nil' FBT return will trigger the commencement of the standard three-year amendment period for ATO purposes. If no FBT return has been lodged, the ATO has an unlimited period to raise additional FBT assessments for earlier years. This is particularly important where the nil result depends on employee contributions. If an error is identified in how the benefit has been calculated, the employee contribution may be insufficient to reduce the taxable value to nil, and FBT could become payable. The ATO has also warned that where an employer has incorrectly lodged a nil returns penalty can still be imposed. Additionally, where an employer has not made a full and true disclosure of FBT information in their FBT return, the amendment period can be extended to up to six years (instead of the standard three years limit. Where a nil return is lodged, employers must still keep adequate records to demonstrate how they arrived at the nil or non-lodgement position. We note also that in some instances, (e.g. where the only benefit provided is an electric zero emission vehicle), employers will still need to calculate the notional taxable value of a benefit and include these amounts in an employee's reportable fringe benefits amounts.

4.2 Journalised Employee Contributions

How ATO Detects	FBT Risk
• Tax Return data matching • Discrepancy analysis	Employee contributions are one of the main ways employers can reduce their FBT liability. Journalising employee contributions in relation to fringe benefits is generally beneficial due to no cash being required to actually be paid by the employee due to the set off arrangement. The ATO also allows these journals as they align FBT with income tax compliance. According to the ATO's updated guidelines in MT 2050, journal entries in an employer's accounts are a payment of a 'recipients contribution', 'recipient's payment' or 'recipients rent' only if all of the following conditions are met: (a) the employee has an obligation to make a contribution to the employer towards a fringe benefit; (b) the employer has an obligation to make a payment to the employee; (c) employer and employee <u>agree to set-off</u> the employee's obligation to the employer against the employer's obligation to the employee. This is where the employee must have an obligation to make an employee contribution towards the fringe benefit, e.g. a company policy exists, or the employee has entered into a salary sacrifice arrangement. It is an employer's responsibility to prove that such an obligation exists. Documented evidence of this arrangement would support this. Furthermore, the employer must also have an obligation to pay a debt to the employee (eg. unpaid salary, dividend or shareholder loan). Where a journalised contribution creates or increases a debit loan balance to the employee, for the offset journal to be effective for FBT purposes, both parties must explicitly agree in advance that the employer would grant a loan through the employee's loan account. We note that a debit balance loan could create other issues such as a Division 7A deemed dividend, or it may constitute a loan fringe benefit. Importantly, the time the set off agreement is entered into is the time the employee contribution is made. Refer to the ATO's views in (<i>Miscellaneous Taxation Ruling MT 2050: Fringe benefits tax: Payment of recipients' contribution by journal entry</i>)

4.3 Meal Entertainment – Applying Minor & Infrequent Exemption

How ATO Detects	FBT Risk
Misclassifying meal entertainment in accounts picked up during ATO review	To determine when the provision of food or drink to a recipient result in the “entertainment” of that person, an objective analysis of all the circumstances is required. ATO guidelines contained in Taxation Ruling 97/17 recommends considering the following questions in an objective analysis of whether the expense is the provision of meal entertainment: (a) Why is the food or drink being provided. This test is a 'purpose test'. For example, food or drink provided for the purposes of refreshment does not generally have the character of entertainment, whereas food or drink provided in a social situation where the purpose of the function is for employees to enjoy themselves has the character of entertainment. (b) What food or drink is being provided. As noted above, morning and afternoon teas and light meals are generally not considered to constitute entertainment. However, as light meals become more elaborate, they take on more of the characteristics of entertainment. The reason for this is that the more elaborate a meal, the greater the likelihood that entertainment arises from the consumption of the meal. For example, when an employer provides morning or afternoon teas or light meals, that food or drink does not usually confer entertainment on the employee. By contrast, a three-course meal provided to an employee during a working lunch has the characteristics of entertainment. The nature of the food itself confers entertainment on the employee. (c) When is the food or drink being provided. Food or drink provided during work time, during overtime or while an employee is travelling is less likely to have the character of entertainment. This is because in the majority of these cases food provided is for a work-related purpose rather than an entertainment purpose. This, however, depends upon whether the entertainment of the recipient is the expected outcome of the provision of the food or drink. For example, a staff social function held during work time still has the character of entertainment. (d) Where is the food or drink being provided. Food or drink provided on the employer's business premises or at the usual place of work of the employee is less likely to have the character of entertainment; refer to the reasons in (b) and (c) above. However, food or drink provided in a function room, hotel, restaurant, cafe, coffee shop or consumed with other forms of entertainment is more likely to have the character of entertainment. This is because the provision of the food or drink is less likely to have a work-related purpose.

- Expense data matching: tax return to FBT return if any. - ATO Review Discrepancy analysis	The minor and infrequent FBT exemption allows small, occasional benefits under \$300 to be exempt from FBT if they are provided irregularly and it would be unreasonable to treat them as fringe benefits. Common benefits that may qualify for the minor benefits exemption include: - off-premises meal entertainment (such as meals at cafés or restaurants) where the cost is less than \$300 per person (incl. GST) and provided infrequently; - occasional small gifts or vouchers under \$300 that are not provided on a regular basis; and - light refreshments supplied in the workplace that satisfy the value and infrequency requirements. However, applying this exemption requires that all actual meal entertainment is analysed. Each benefit must be assessed on its own facts, having regard to frequency, total value, and whether any associated benefits are provided. These benefits risk being ineligible for the exemption where they are high frequency but low value meal entertainment benefits. Examples include instances where employees are regularly given gift cards as part of a direct reward for the employee's services, or where a manager or director is frequently incurring meal entertainment as part of their role to promote their organisation. In these instances, the "infrequency" criteria will not be met and applying the minor benefit exemption could expose employers to unexpected FBT liabilities. Another common error is in applying the minor and infrequent exemption when there is insufficient records/receipts/documentation retained during the FBT year and using the 50/50 split method. Only electing to calculate meal entertainment using the actual method (which requires that records be kept for all meal entertainment) entitles an employer to using the minor and infrequent exemption.
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4.4 Misclassifying Travel

How ATO Detects	FBT Risk
- Expense data matching: tax return to FBT return. - ATO Review Discrepancy analysis	The ATO has issued several guidance publications on travel related expenses. Taxation Ruling TR 2021/4 and Practice Compliance Guide PCG 2021/3 essentially classifies employee travel into the three main types. These are: - business travel – where the employee is “travelling on work”: “otherwise deductible” rule usually applies to reduce taxable value of these costs; - living away from home (LAFH) and - relocation. When an employer reimburses or pays for travel costs for an employee, it is imperative that they review the specifics of each trip to determine which type of travel the arrangement falls into, as the FBT treatment for each category varies significantly. Why do these classifications matter? Essentially, expenses incurred for travelling “for” or “on” work are outside the scope of the FBT provisions or FBT exempt due to the “otherwise deductible rule”. Conversely, a LAFHA or other living away from home benefits would be scrutinised under the FBT regime unless an exemption (e.g. remote area) applies. Additionally, normally non-deductible accommodation and meal expense cease being private in nature when incurred for travelling for/on work and becomes generally tax deductible for the employer. Where an employee is paid an allowance whilst they are travelling for work, the allowance is outside of the FBT rules and dealt with under the income tax rules (Taxation Determination TD 2021/6 and Taxation Ruling TR 2004/6).

Significant travel expenses incurred (eg. FIFO travel).	4.4.1 Transportation Costs – E.g. FIFO Travel The FBT implications of transportation expenses is considered in TR 2021/1 and is largely dependent on whether the employee is: “travelling on work”; or “traveling to work” Thus, the primary question is; “Are the employees travelling <u>to work</u> (resulting in private travel subject to FBT), or travelling <u>on work</u> (resulting in deductible travel and therefore no FBT)?” This was relevant issue for two landmark cases on employee travel: <i>John Holland Group Pty Ltd & Anor v FC of T 2015 ATC 20-510; [2015] FCAFC 82 (John Holland): and</i> <i>Bechtel Australia Pty Ltd v FC of T 2024 ATC 20-898; [2024] FCAFC 33 (Bechtel).</i> In the <i>John Holland</i> case, the High Court upheld that travel provided to employees from Perth Airport to Geraldton qualified for the otherwise deductible rule under section 52 of the FBT Act. This was on the basis that, had the taxpayer’s employees incurred the expenditure on the flights, the expenditure would have been deductible to them under the income tax general deduction provision because the employees were <u>required to travel as part of their employment</u>. The <i>John Holland</i> employees were subject to the taxpayer’s directions and policies from the time they rostered-on at Perth Airport and were therefore <u>travelling in the course of their employment</u>. In contrast, the Federal Court in the <i>Bechtel</i> case reached a different conclusion. In this case, Bechtel’s employees were rostered on and off after traveling from major airports to Galdsone airport and arriving at the Curtis Island LNG plant, off Gladstone, Queensland. This meant that the employer provided travel costs, comprising of FIFO flights from major airports to Gladstone airport, and then a series of bus and ferry rides to reach the temporary accommodation on Curtis Island, were considered not to be “otherwise deductible rule” applied to reduce the taxable value of the fringe benefits to nil. In disallowing the taxpayers appeal, the primary judge’s decision that the expenditure was a prerequisite to the earning of the employee’s income was upheld. This meant that unfortunately for the taxpayer, the court dismissed the appeal – causing over \$13 million in FBT previously in dispute to become payable by <i>Bechtel</i>.
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How ATO Detects	FBT Risk
	The difference between the two decisions lies in the contractual arrangements. In the <i>John Holland</i> case, the workers were rostered on and off when they arrived at the major airport closest to their usual place of residence (i.e. Perth airport). Thus, travel from that airport to the relevant work site was in the course of their income producing activities – hence, the otherwise deductible rule applied to reduce the taxable fringe benefit to nil. In <i>Bechtel</i>, it was found that the employees in that case were not rostered on until they reached the work site, rather than when they arrived at the airport, (notwithstanding that a rostering concept is less relevant for salaried employees). In both cases the specific remote area exemption for fly-in fly-out travel arrangements was not available presumably due to the proximity of the work locations to Gladstone, an eligible urban area. Unfortunately for the taxpayer in <i>Bechtel</i>, the court dismissed the appeal – causing over \$13 million in FBT previously in dispute to become payable by <i>Bechtel</i>. The fine distinctions in these cases create increased uncertainty for employers of FIFO workers and employers will need to consider their circumstances carefully and the likely outcomes if they are tested under either <i>John Holland</i> or <i>Bechtel</i> case precedence.

4.5 Private Use of Business Vehicles

How ATO Detects	FBT Risk
- Data matching – salary packaging provider, insurance data, vehicle registration data. - Logbook Analysis – ATO audit point matching logbook accuracy to usage and significant changes.	Motor vehicles are a category of benefits that the ATO are seeing a <u>significant level</u> of non-compliance and errors. Situations that increase FBT risk and raise ATO concern include when employers: - classify motor vehicles incorrectly; - treat private use as business use; - not keeping a valid logbook. There are 3 different types of motor vehicles for FBT purposes: Cars that are designed to carry fewer than 9 passengers (including the driver) – for example, most sedans, hatchbacks and SUVs; Cars that are not designed to carry passengers but have a goods-carrying capacity of less than 1 tonne – for example, most dual cab utes. Non-cars - All other vehicles with higher goods or passenger carrying capacities – for example, 1-tonne utes. The type of motor vehicle determines the methods that can be used to calculate the FBT and whether certain exemptions can apply, so it's important to get this right. 4.5.1 Cars There are two ways to calculate the taxable value of a car fringe benefit. Employers can use either the: - statutory formula method; or - operating cost method. <u>Statutory Formula Method:</u> This method applies a fixed percentage (20%) based on the car's value. The formula is: $(A \times B \times C \div D) - E$ where A is the car's base value, B is the statutory percentage C is the number of days available for private use D is the number of days in the FBT year E is any post-tax employee contributions. Employers must maintain adequate records to support this method.

How ATO Detects	FBT Risk				
	<u>Operating Cost Method:</u> This method requires detailed vehicle use records, including logbook and odometer readings. The formula is: Taxable value = (Total operating costs) × (percentage of private use). Employers must ensure that records are kept for the vehicle benefits they provide. Employers should choose the method that results in the lowest taxable value, provided they have the appropriate records. Please see below for the type of records required to be kept for each calculation method. Record keeping comparison Determine which method is best for you based on the records you have kept. <table border="1"> <thead> <tr> <th>Statutory formula method</th><th>Operating cost method</th></tr> </thead> <tbody> <tr> <td> • normal purchase records • invoices • receipts • journal entries • bills of sale • lease documents • employee records/declaration. </td><td> • actual costs – repairs – maintenance – fuel – registration and insurance – leasing costs • deemed costs – depreciation – interest • logbook – 12 weeks each 5 years • opening and closing odometer reading • employee records/declaration. </td></tr> </tbody> </table> <i>Note: For fleets of 20+ cards a simplified record-keeping approach may be available (as per ATO PCG 2016/10).</i> Valid Logbook Tips • Logbooks must be contemporaneous, accurate and retained for five years; • The distances and purpose of each trip should be accurately notated; • Electronic logbooks are acceptable provided the above can be recorded. It is important to keep accurate records to substantiate FBT calculations and avoid penalties for poor record-keeping.	Statutory formula method	Operating cost method	• normal purchase records • invoices • receipts • journal entries • bills of sale • lease documents • employee records/declaration.	• actual costs – repairs – maintenance – fuel – registration and insurance – leasing costs • deemed costs – depreciation – interest • logbook – 12 weeks each 5 years • opening and closing odometer reading • employee records/declaration.
Statutory formula method	Operating cost method				
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4.5.2 Cars Not Designed to Carry Passengers (e.g. dual cabs)

Warning: Dual Cab Utes Not Automatically FBT Exempt

While dual cab utes can have favourable FBT treatment in certain circumstances, they're not automatically exempt. In *'Exempt use of eligible vehicles' (QC 71130)*, and *"The Truth About Dual Cab Utes FBT,"* the ATO dispels the 'common myth' that all dual cab utes are automatically exempt from FBT. Where an employer provides dual cab utes to staff to complete their duties and the vehicle is available for personal use, the benefit may be subject to FBT.

The key factors in determining FBT liability are:

- **Vehicle classification:** The ute must meet the ATO's definition of an "eligible commercial vehicle".
- **Usage patterns:** Personal use must be minimal and incidental.

The following vehicles are "eligible vehicles" for the limited private use exemption:

- **single cab ute**
- **dual cab ute** that is designed to either:
 - carry a load of 1 tonne or more;
 - carry more than 8 passengers (including the driver);
 - carry a load of less than 1 tonne but is not designed for the principal purpose of carrying passengers.
 - To work out if a dual cab ute meets this condition, see MT 2024 *Fringe benefits tax: dual cab vehicles eligibility for exemption where private use is limited to certain work-related travel*.
- **panel van** or **goods van**
- **modified vehicle** (such as a hearse) if, for the entire FBT year when the employee uses the car, the modification permanently affects the inherent design of the vehicle. To find out what constitutes a modified vehicle, see MT 2033 *Fringe benefits tax: application of sub-section 8(2) exemption to modified cars*
- **taxi**
- any **4-wheel drive vehicle** that is designed either
 - to carry a load of 1 tonne or more
 - to carry more than 8 passengers (including the driver)
 - for a principal purpose other than carrying passengers, as indicated
 - more than 8 passengers (including the driver).
 - by its appearance, marketing specification or carrying capacity – for more information see TD 94/19
- any **other road vehicle** that is designed to carry either
 - a load of 1 tonne or more; or
 - more than 8 passengers (including the driver).

How ATO Detects	FBT Risk
	Vehicle type alone doesn't guarantee FBT exemption; usage must be minimal and incidental. FBT will not apply if your employee only uses your eligible vehicle for "limited private use" for the following: • travel between home and work; • travel that is incidental to travel in the course of employment duties; • non-work-related use that is minor, infrequent and irregular (such as occasional use of the vehicle to remove domestic rubbish). Therefore, if a work dual cab ute <i>"doubles as the family taxi or is used for weekend personal trips"</i>, it is not exempt from FBT. If an employee's personal use of the dual cab ute does not meet both of the above exemption conditions, the employer will be liable for FBT. Refer to <i>'Exempt use of eligible vehicles' (QC 71130)</i>. Private use of a dual cab ute outside ATO guidelines can create FBT liability for employers, leading to unexpected tax or compliance issues. Employers need logbooks to prove compliance, and employees should understand company vehicle rules to prevent penalties. The ATO's Practical Compliance Guide PCG 2018/3 provides that employers will not be allowed to treat the vehicles as FBT exempt and all private usage will be subject to FBT if private use of an eligible commercial vehicle is in excess of: • A 2 kilometre diversion between home and work; • 1000 kilometres in total for an FBT year (1 April to 31 March), and where no single return journey exceeds 200 kilometres. The non-work exemption assumes commercial vehicles are mainly used for work, so the ATO accepts some incidental private use. This exemption does not apply if there is no real work-related need or if the vehicle is part of a salary package. If the employee's use of an eligible vehicle exceeds the uses eligible for exemption, it is a fringe benefit and employers will need to consider: • Type of vehicle; • Amount of private use, to work out the taxable value of private use of the eligible vehicle. Where an employer has not kept specific records on these benefits, it can use the cents per kilometre method based on: $\frac{\text{Total \#private kilometres travelled} \times \text{Motor vehicle (other than a car) cents/km}}{100 \text{ (to convert the amount from cents to dollars)}}$ Please refer to cents per km rates in Appendix 1.

How ATO Detects	FBT Risk
4.5.3 Electric Vehicles	
The following are EV and reporting issues that employers need to be aware of for the 2026 FBT year.	
• Plug-in hybrid electric vehicle (PHEV) exemption - From 1 April 2025. Any new arrangements to provide a PHEV car benefit are no longer eligible for the FBT exemption. • Existing PHEV arrangements in place before 1 April 2025 may still qualify under transitional provisions and grandfathering rules. However, if there is a change to a pre-existing commitment on or after 1 April 2025, the FBT exemption for the PHEV will no longer apply from the date of that new commitment. Some examples of when changes to pre-existing commitments will result in a new commitment (thereby causing the employer no longer to be eligible for the FBT exemption): ◦ Optional extensions to the agreement – the agreement must be for a pre-determined period of time; ◦ Breaks in novation agreements – the car is not used, or available for the private use, of the employee under the agreement; ◦ Changes to the financial obligations under the lease – including changes to lease payments or the residual value of the car; and ◦ Changed employer for FBT purposes – results in a new commitment to the application or availability of the car by the new employer. • Reportable benefits on EVs: Even if the FBT exemption applies (both EVs and PHEVs), the notional taxable value of the car benefits must still be calculated to determine whether an employee has a reportable fringe benefits amount for the 2026 FBT year. • Electric vehicles (EVs): The FBT exemption for EVs continues to apply (subject to meeting all eligibility criteria), including the luxury car tax threshold, “zero emissions” EV and first use/first held date requirements. • Home charging costs: Employers or employees may want to calculate the home charging cost of an EV/PHEV for the following reasons: ◦ <u>Reduce the taxable value of the car benefit</u> provided by calculating the EV charging operating costs, together with petrol (on PHEVs) to determine an ‘employee’s contribution’ on their EV car benefit; or ◦ An employer has agreed to reimburse their employee for the charging costs.	
ATO guidance on calculating the cost of charging “zero emission” EVs² has been updated in PCG 2024/2 to include guidance on calculation of electricity costs when charging a PHEV vehicle at home. Calculating the home charging electricity costs under the specific EV and PHEV “shortcut method” as per PCG 2024/2 requires that an employee must have incurred home electricity costs and note that records of odometer readings and substantiation for actual petrol costs incurred are expected.	

4.6 Third Party "Arranger" Benefits

How ATO Detects	FBT Risk
Expense data matching	Employers can be liable for FBT on third-party benefits where the benefit is provided to an employee under an arrangement between the employer and a 'third party' (or an associate) under the arranger provisions. This can include situations where employees receive goods or services directly from an employer's suppliers. Broadly, an FBT liability arises where the employer is a party to the arrangement or knowingly facilitates the benefit. In some cases, merely allowing the benefit may be enough for the ATO to treat it as an "arrangement".
ATO Review Discrepancy	Employers are not automatically liable for FBT on meal entertainment just because an employee attends a client lunch paid for by the client, or a third-party hosted function. Care is required where it could be inferred the employer entered into an arrangement with the third party to provide the entertainment, for example where: - the entertainment is provided under an agreement between the employer and the third party; or - the employer knowingly participates in, or facilitates, the entertainment (e.g., contributes to drinks, provides premises, or otherwise helps run the event); or - the employer promotes or participates in a scheme under which the third party provides the entertainment (e.g., encouraging staff to join a third-party product promotion).

² "Zero Emission" EV – defined as battery EVs or hydrogen fuel cell EVs.

4.7 Remote Area Benefits

How ATO Detects	FBT Risk														
- ATO Review Discrepancy - Employers operating in the mining and related industry more likely to provide these benefits.	Employers may claim tax concessions for some benefits or assistance provided to employees working in designated remote areas. There are two main types of concessions: exemptions (where the good or service is not subject to FBT), and partial concessions (where the taxable value of the good or service is reduced, often by 50%). The following is a summary of these concessions. <table> <tr> <td>Employer-provided housing</td><td>Exemption from FBT for employer-provided housing in designated remote areas (FBTAA, s. 58ZC)</td></tr> <tr> <td>Employee-sourced housing</td><td>Partial concessions on other forms of housing assistance in designated remote areas (FBTAA, s. 60 and Divisions 14A, 14B)</td></tr> <tr> <td>Temporary accommodation, meals and transport for FIFO workers</td><td>Exemption from FBT for temporary accommodation, meals and transport for FIFO workers. (Note: remote area transport (s. 47(7)) is the only concession linked to remote area boundaries)</td></tr> <tr> <td>Residential fuel</td><td>Partial (50 per cent) concession for residential fuel used in housing that attracts an FBT remote area concession (FBTAA, s. 59)</td></tr> <tr> <td>Meals for primary production employees</td><td>Exemption from FBT for meals provided to primary production employees on work days (FBTAA, s. 58ZD)</td></tr> <tr> <td>Holiday transport</td><td>Partial (50 per cent) concession on return holiday transport to specified destinations. (FBTAA, s. 60A and s. 61)</td></tr> <tr> <td>Boundaries for the concessions</td><td>Based on 1981 populations and 1986 road distances. Different population thresholds apply in ZTO zone and non-zone areas.</td></tr> </table>	Employer-provided housing	Exemption from FBT for employer-provided housing in designated remote areas (FBTAA, s. 58ZC)	Employee-sourced housing	Partial concessions on other forms of housing assistance in designated remote areas (FBTAA, s. 60 and Divisions 14A, 14B)	Temporary accommodation, meals and transport for FIFO workers	Exemption from FBT for temporary accommodation, meals and transport for FIFO workers. (Note: remote area transport (s. 47(7)) is the only concession linked to remote area boundaries)	Residential fuel	Partial (50 per cent) concession for residential fuel used in housing that attracts an FBT remote area concession (FBTAA, s. 59)	Meals for primary production employees	Exemption from FBT for meals provided to primary production employees on work days (FBTAA, s. 58ZD)	Holiday transport	Partial (50 per cent) concession on return holiday transport to specified destinations. (FBTAA, s. 60A and s. 61)	Boundaries for the concessions	Based on 1981 populations and 1986 road distances. Different population thresholds apply in ZTO zone and non-zone areas.
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Boundaries for the concessions	Based on 1981 populations and 1986 road distances. Different population thresholds apply in ZTO zone and non-zone areas.														

4.8 Alternative Record Keeping Options

The ATO introduced alternative record keeping options from for employers 1 April 2024. Under these concessions, employers may now rely on existing corporate records instead of traditional declaration forms and can simplify employer record-keeping requirements.

For employers to rely on existing corporate records instead of traditional declaration forms, internal business records (such as odometer readings for cars or details of entertainment provided) must contain all the necessary details to support any FBT exemptions or concessions claimed.

All records must be in English and, if stored electronically, must be readily accessible. Records are not lodged with the FBT return, however they must be kept for five years from the date of lodgement of the FBT return or, if a return isn't needed, from the due date for lodgement.

Acceptable records may include:

- Employee declarations for benefits like LAFHA or otherwise deductible expenses.
- Logbooks and travel diaries to substantiate business use of vehicles or travel-related benefits.
- Travel reimbursement claims
- Work schedules and rosters
- Corporate credit card statements
- Internal travel approval forms
- Payroll records, employment contracts, job descriptions, and correspondence

It is important to evaluate whether your records systems currently meet the compliance standards or require updating or improvement. Where the ATO finds records lacking, employers could lose FBT concessions and face reassessment.

MKT Warning:

- Alternative records are benefit specific. The option to use alternative records is available on a benefit-by-benefit basis.
- Alternative Record-Keeping Options requires that a minimum level of information be retained to support the FBT return. These requirements are contained in the ATO's legislative instructions and explanatory statements.

A full list and explanation of eligible records can be found on the ATO website and in the explanatory materials provided alongside the legislative instruments.

Below are some common ones.

Record-Keeping Concession	Applicable FBT Obligation
Travel diaries	LI 2024/11- Work-related travel
Living-away-from-home (LAFH) Declaration	LI 2024/4 – Non FIFO/DIDO Employees LI 2024/5 – FIFO/DIDO Employees
Expense payment, residual or property benefit declarations	LI 2024/6 – where an employer uses the otherwise deductible rule to reduce the taxable value of an expense payment, residual or property benefit.
Relocation and temporary accommodation declarations	LI 2024/8 – Temporary Accommodation relating to relocation LI 2024/12 – Relocation transport LI 2024/13 – Overseas employment holiday transport

APPENDIX 1 – 2026 KEY FBT RATES AND THRESHOLDS

The thresholds below are for the FBT year commencing 1 April 2025.

Pay by instalments threshold - If your FBT liability for the last year was \$3,000 or more, you will need to pay 4 quarterly instalments.

FBT Rates & Thresholds (All Employers)		
FBT rate	47%	An employer's 2025 FBT liability is calculated by applying the FBT rate of 47% to the employer's fringe benefits taxable amount (i.e., basically, the sum of the grossed-up taxable values of all Type 1 and Type 2 fringe benefits).
Type 1 Benefit	2.0802	Benefits for which the provider (e.g., the employer) is entitled to claim any input tax credit in respect of the acquisition of the benefit.
Type 2 Benefit	1.8868	Benefits for which the provider (e.g., the employer) is not entitled to claim an input tax credit in respect of the acquisition of the benefit.
Record keeping exemption threshold	\$10,664	The record-keeping exemption ('RKE') threshold for the FBT year commencing 1 April 2026 is \$10,664.
Reportable fringe benefits thresholds	Exceeds \$2,000 Gross up rate: 1.8868	The reportable fringe benefits provided to an employee during the 2026 FBT year is reportable in their income statement/payment summary where the total taxable value (non-grossed up) exceeds \$2,000 (i.e. the employee's Individual Fringe Benefits Amount ('RFBA'))
Car parking threshold	\$11.03 all day parking fee	A car parking benefit will be provided where there is a commercial parking station that charges an all-day parking fee greater than the car parking threshold within 1 kilometre (by the shortest practicable route) on both the: ○ first day of the FBT year and ○ day the benefit is provided.
Statutory/ Benchmark interest rate	8.62%	The statutory or benchmark interest rate is used for calculating the taxable value of loan fringe benefits or car fringe benefits using the operating cost method.
Cars		

FBT Rates & Thresholds (All Employers)				
Car fringe benefits statutory formula rate	20%	A flat statutory rate of 20% applies to all car fringe benefits you provide, regardless of the distance travelled.		
Deemed depreciation rate – cars	25%	The diminishing value depreciation rates are used for car fringe benefits valued under the operating cost method.		
Electric vehicle home charging rate	4.2cents per km	Employers with FBT obligations and individuals with work-related car expenses who meet the eligibility requirements can choose to calculate electricity costs when charging electric vehicles at an employee's or individual's home using the methodology outlined in Practical Compliance Guideline PCG 2024/2 <i>Electrical vehicle home charging rate – calculating electricity costs when a vehicle is charged at an employee's or individual's home.</i>		
Motor vehicle (other than a car)		0–2500cc	Over 2500cc	Motorcycles
Cents per kilometre rate		69c	80c	20c
Capping of concessional FBT treatment for certain employers				
Type of Employer	Grossed-Up Taxable Value (per employee)			
Rebateable employers – certain registered charities, non-government and not-for-profit organisations	FBT rebate of 47% capped at \$30,000. Salary packaged meal entertainment and entertainment facility leasing expense benefits capped at \$5,000.			
Public benevolent institution (PBIs) (other than public hospitals) and health promotion charities	FBT exemption capped at \$30,000. Salary packaged meal entertainment and entertainment facility leasing expense benefits capped at \$5,000.			
Public hospitals, not-for-profit hospitals and public ambulance services	FBT exemption capped at \$17,000. Salary packaged meal entertainment and entertainment facility leasing expense benefits capped at \$5,000.			