

# FBT Planner

## Not-for-profit organisations

April 2021



Snapshot for the FBT year ending 31 March 2021

**FBT rate:** 47%

**Benchmark interest rate:** 4.8%

**Car parking threshold:** \$9.15

**Record-keeping exemption:** \$8,853

FBT return is due by 21 May, or by 25 June if lodged electronically through your tax agent.

### Reminder why FBT exists

Fringe Benefits Tax is a tax levied on employers for certain benefits provided to employees and related parties. It exists to prevent tax leakage because income tax is not collected on the employee side.

### Main types of fringe benefits

Cars	Housing
Car parking	Living away from home allowance (LAFHA)
Meal entertainment	General property or residual
Loans	

### Concessional treatment for NFPs

Not-for-profit (NFP) organisations can struggle to compete against for-profit businesses for good-quality people. Accordingly, the concessional FBT treatment afforded NFPs helps them attract and retain staff by enabling them to provide some benefits at a low or no FBT impost. Concessional FBT treatment afforded to NFPs means they can provide comparatively more benefits to staff and/or offer more attractive salary-packaging options.

### NFP employer categories

There are two categories of NFP organisations that enjoy concessional FBT treatment:

- FBT-exempt employers
- FBT-rebatable employers

FBT-exempt employers include hospitals, public ambulance services, public benevolent institutions (PBI) and health promotion charities. They can provide fringe benefits without incurring an FBT liability (up to a cap). FBT-rebatable employers include non-profit, non-government schools. Fringe benefits they provide initially incur the normal amount of FBT liability, which is then reduced by a 47% rebate (up to a cap).

### Capping thresholds for the 2021 FBT year

NFP employers can provide fringe benefits that are respectively exempt or rebated, up to the following caps per individual employee:

Type of Employer	Grossed-up taxable value (per employee)	Non-grossed-up taxable value equivalent (Type 1)	Non-grossed-up taxable value equivalent (Type 2)
<b>FBT-exempt employers</b>			
Hospitals and Public Ambulance Services	\$17,000	\$8,172	\$9,009
PBI's and Health Promotion Charities	\$30,000	\$14,421	\$15,899
<b>FBT-Rebatable Employers</b>	\$30,000	\$14,421	\$15,899

The NFP concessional treatment is available for any kind of fringe benefit provided, and does not have to be provided as part of a formal salary-packaging arrangement, but are often offered to attract good-quality employees. For example:

- A PBI could pay \$15,899 worth of an employee's home mortgage repayments (Type 2 benefit) under a salary-sacrifice arrangement, and incur no FBT. For the employee, the effect of this is the same as getting a tax deduction for those mortgage repayments.
- A rebatable school could provide a \$70,000 car to an employee (Type 1 benefit), which is used 100% for private use, and, after the rebate, incur annual FBT of about \$7,200. This is around half of what a business employer would pay. Accordingly, the school can offer the car as a more attractive salary-packaging option. An employee contribution to reduce the FBT impost can produce an ever better outcome for both parties.

Full FBT will apply to any excess above the relevant cap provided to an individual employee. Please note that car parking benefits or employer-provided entertainment are subject to their own caps. Salary-packaged entertainment is reportable on the employee's Payment Summary.

### Salary-packaged meal entertainment, etc

NFP employers can also provide exempt salary-packaged meal entertainment and entertainment facility leasing benefits up to the following caps:

Type of Employer	Grossed-up taxable value (per employee)	Non-grossed-up taxable value equivalent (Type 1)	Non-grossed-up taxable value equivalent (Type 2)
<b>FBT-exempt employers</b>			
Hospitals and Public Ambulance Services	\$5,000	\$2,403	\$2,649
PBI's and Health Promotion Charities	\$5,000	\$2,403	\$2,649
<b>FBT-Rebatable Employers</b>	\$5,000	\$2,403	\$2,649

Full FBT will apply to any excess above the cap provided to an individual employee. Please note that this exemption applies only where the benefits form part of a salary-packaging arrangement, and the above caps are *in addition* to the capping thresholds for fringe benefits generally.

### Religious-denominated schools

A private school, registered as a religious institution, employing a religious practitioner principally for pastoral duties and/or teaching religion can provide an unlimited quantity of fringe benefits to the employee which are fully exempt from FBT.

### Car parking

Registered charities, scientific institutions and public educational institutions are exempt from FBT for providing car parking benefits.

### Some general exemptions from FBT

In addition to the above concessions for NFPs, these fringe benefits are exempt for all employers generally:

**Portable electronic device**, where primarily used for employment. One per year, per employee. Eg, laptop, tablet, Surface Pro, mobile phone.

**Minor**, infrequent benefits worth less than \$300.

**Fly-in fly-out** transport.

**Relocation** expenses.

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### When a salary sacrifice arrangement is effective, and when it isn't

Key word: **prospective**. That is, you can arrange to sacrifice future salary, but not retrospectively adjust for salary already earned.

### Reporting on employee's payment summary

The grossed-up amount of certain fringe benefits is reported on an employee's Payment Summary. Although the employee does not pay income tax on that amount, it factors into qualifying for various means-tested government benefits and assistance. Fringe benefits do not need to be reported where the total non-grossed up taxable value of the benefits provided is less than \$2,000.

#### Think about the possibilities in your organisation...

As you work through your 2021 FBT compliance, think about the possibilities in your organisation for next year. Talk to your trusted Nexia advisor about how we can help you better manage the provision of benefits, and get the best outcomes for you and your employees.

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