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YOUR KNOWLEDGE

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FBT 2025: What you need to know

The Fringe Benefits Tax (FBT) year ends on 31 March. We've outlined the hot spots for employers and employees.

FBT exemption for electric cars

Employers that provide employees with the use of eligible electric vehicles (EVs) can potentially qualify for an FBT exemption. This should normally be the case where:

- The car is a zero or low emission vehicle (battery electric, hydrogen fuel cell or plug-in hybrid electric);
- The car is both first held and used on or after 1 July 2022; and
- The value of the car is below the luxury car tax threshold for fuel efficient vehicles (which is $89,332 for 2024-25 financial year).

Plug-in hybrid vehicles no longer FBT exempt

From 1 April 2025, plug-in hybrid electric vehicles will no longer qualify for the FBT exemption unless:

- The use of the vehicle was exempt before 1 April 2025, **and**
- There is a financially binding commitment to continue providing private use of the vehicle on and after 1 April 2025.

If there is a break or change to that commitment on or after 1 April 2025 then the exemption normally won't be available any more.

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Working with the exemption

Even if the FBT exemption applies, your business will still need to work out the taxable value of the benefit as if the FBT exemption didn't apply. This is because the value of the exempt benefit is still taken into account when calculating the reportable fringe benefits amount of the employee. While income tax is not paid on this amount, it can impact the employee in a range of areas (such as the Medicare levy surcharge, private health insurance rebate, employee share scheme reduction, and social security payments).

This means the employee's own home electricity costs incurred on charging the electric vehicle will often need to be worked out. This figure can generally be treated as an employee contribution to reduce the value of the benefit.

While this can be practically difficult to determine, the ATO has issued some guidelines that provide a 4.20 cent per km shortcut rate that can potentially help with the calculation. These guidelines do not apply to plug-in hybrid vehicles.

Many electric vehicles are also packaged together with electric charging stations. Just be aware that the FBT exemption for electric cars does not extend to charging stations provided at the employee's home.

Providing equipment to work from home

Many businesses continue to offer flexible work from home arrangements. employees are often provided with work-related items to assist them to work from home. In general, where work related items are provided to employees and used primarily for work, FBT shouldn't apply.

For example, portable electric devices such as laptops and mobile phones provided to employees shouldn't trigger an FBT liability as long they are primarily used by your employees for work. Multiple similar items can also be provided during the FBT year where required – for example multiple laptops have been provided to the employee – but only if the business has an aggregated turnover of less than $50m (previously, this threshold was less than $10m).

If the employee is using equipment provided by the business for their own private use, normally FBT would apply to the private use. However, the FBT liability can be reduced based on the business use percentage.

Does FBT apply to your contractors?

The FBT rules tend to apply when benefits are provided to employees and certain office holders, such as directors. FBT should not apply when benefits are provided to genuine independent contractors but, you need to be sure that your contractors are in fact contractors.

Are your contractors really contractors?

Following two landmark decisions handed down by the High Court, the ATO has now finalised a ruling TR 2023/4 that helps determine whether a worker is an employee or an independent contractor.

If the parties have entered into a written contract, then you need to focus on the terms of that contract to establish the nature of the relationship (rather than looking at the conduct of the parties). However, merely labelling a worker as an independent contractor doesn't necessarily mean that they won't be treated as an employee if the terms of the contract suggest that the parties have entered into an employment relationship.

The ATO has also issued PCG 2023/2 that sets out four risk categories. Arrangements will tend to be viewed in a more favourable light where:

- There is evidence to show that you and the worker have agreed on the classification;

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- There is a comprehensive written agreement that governs the relationship;
- There is evidence that you and the worker understand the consequences of the classification;
- The performance of the arrangement hasn't deviated significantly from the terms of the contract;
- Specific advice has been sought confirming that the classification is correct; and
- Tax, superannuation, and reporting obligations have been met when the worker is classified as an employee or independent contractor (whichever relevant).

If your business employs contractors, you should have a process in place to ensure the correct classification of the arrangements and to determine the ATO's risk rating. These arrangements should also be reviewed over time.

Even when a worker is a genuine independent contractor, just remember that this doesn't necessarily mean that the business won't have at least some employment-like obligations to meet. For example, some contractors are deemed to be employees for superannuation guarantee and payroll tax purposes.

Reducing the FBT record keeping burden

Record keeping for FBT purposes can be onerous. From 1 July 2024 however, your business will have a choice to keep using the existing FBT record keeping methods, use existing business records where those records meet the requirements set out by the legislative instrument, or a combination of both methods:

- Travel diaries – see LI 2024/11
- Living-away-from-home-allowance – FIFO/DIDO declarations – see LI 2024/4
- Living-away-from-home – maintaining an Australian home declaration – See LI 2024/5
- Otherwise deductible rule – expense payment, property or residual benefit declaration – See LI 2024/6
- Otherwise deductible rule – private use of a vehicle other than a car declaration – See LI 2024/7
- Car travel to an employment interview or selection test declaration – See LI 2024/14
- Remote area holiday transport declaration – See LI 2024/10
- Overseas employment holiday transport declaration – See LI 2024/13
- Car travel to certain work-related activities declaration – See LI 2024/9
- Relocation transport declaration – See LI 2024/12
- Temporary accommodation relating to relocation declaration – See LI 2024/8

FBT housekeeping

It can be difficult to ensure the required records are maintained in relation to fringe benefits – especially as this may depend on employees producing records at a certain time. If your business has cars and you need to record odometer readings at the first and last days of the FBT year (31 March and 1 April), remember to have your team take a photo on their phone and email it through to a central contact person – it will save running around to every car, or missing records where employees forget.

The top FBT risk areas

Mismatched claims for entertainment – claimed as a deduction but no FBT

One of the easiest ways for the ATO to pick up on problem areas is where there are mismatches.

When it comes to entertainment, employers are often keen to claim a deduction but this can be a problem if it is not recognised as a fringe benefit provided to employees. Expenses related to entertainment such as a meal in a restaurant are generally not deductible and no GST credits can be claimed unless the expenses are subject to FBT.

Let's say you taken a client out to lunch and the amount per head is less than $300. If your business uses the 'actual' method for FBT purposes, then there should not be any FBT implications. This is

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because benefits provided to client are not subject to FBT and minor benefits (i.e., value of less than $300) provided to employees on an infrequent and irregular basis are generally exempt from FBT. However, no deductions should be claimed for the entertainment and no GST credits would normally be available either.

If the business uses the 50/50 method, then 50% of the meal entertainment expenses would be subject to FBT (the minor benefits exemption would not apply). As a result, 50% of the expenses would be deductible and the business would be able to claim 50% of the GST credits.

Employee contributions by journal entry in the accounts

Many businesses use after-tax employee contributions to reduce the value of fringe benefits. It is also reasonably common for these contributions to be made by journal entry through the accounting system only (rather than being paid in cash).

While this can be acceptable if managed correctly, the ATO has flagged numerous concerns including whether journal entries made after the end of the FBT year are valid employee contributions.

For an employee contribution made by way of journal entry to be effective in reducing the taxable value of a benefit, **all** of the following conditions must be met:

- The employee must have an obligation to make a contribution to the employer towards a fringe benefit (i.e., under the employee's remuneration agreement);
- The employer has an obligation to make a payment to the employee. For example, the parties may agree that the employer will lend an amount to the employee or the employee might be entitled to a bonus that hasn't been paid yet. If a loan is made by the employer then this could trigger further tax issues that need to be managed;
- The employee and employer agree to set-off the employee's obligation to the employer against the employer's obligation to the employee; and
- The journal entries are made no later than the time the financial accounts are prepared for the current year (i.e., for income tax purposes).

Failing to ensure that arrangements involving fringe benefits and employee contributions are clearly documented can lead to problems. For example, the ATO may ask to see evidence of the fact that the employer is actually under an obligation to make contributions towards a fringe benefit. If there is no evidence, then significant FBT liabilities could arise.

Not lodging FBT returns

The ATO is concerned that some employers are not lodging FBT returns when required to.

If your business employs staff (even closely held staff such as family members), and is not registered for FBT, it's essential to ensure that the position is reviewed to check whether the business could potentially have an FBT liability.

If the business provides cars, car spaces, reimburses private (not business) expenses, provides entertainment (food and drink), employee discounts etc., then you are likely to be providing at least some fringe benefits.

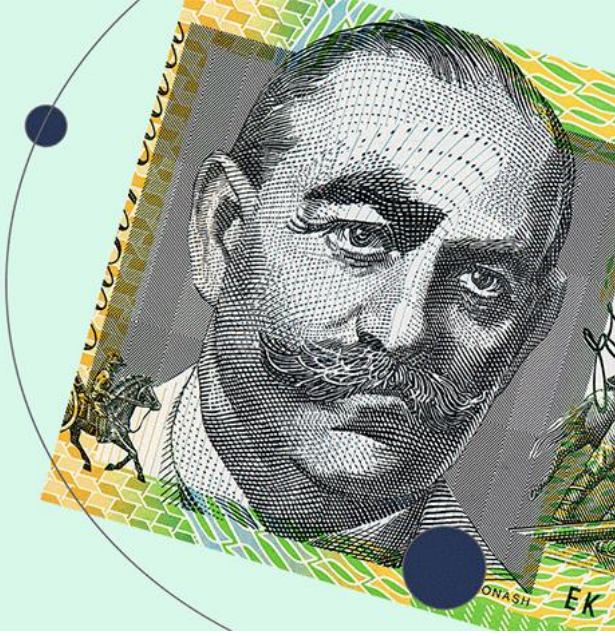
There is a list of benefits that are considered exempt from FBT, such as portable electronic devices like laptops, protective clothing, tools of trade etc. If your business only provides these exempt items, or items that are infrequent and valued under $300, then you are unlikely to have to worry about FBT.

Make sure you have reviewed the FBT client questionnaire we sent you!

Need assistance?

Please contact us on (insert phone) or by email to (insert email)

Trade wars and tariffs



Global Google searches for the word "tariffs" spiked dramatically between 30 January and 2 February 2025, a +900% increase to the previous 12 months. We look at what tariffs really mean.

Who pays for tariffs?

Tariffs increase the price of imported goods and reduce trade flows of that good or service.

Traditionally used to protect specific domestic industries by reducing competition, tariffs increase the price of foreign competitors and reduce demand. In his first term, President Trump imposed a 25% global tariff on steel and a 10% tariff on aluminium (which Australia managed to reduce to zero with supply limits imposed instead). The impact was reportedly a 2.4% increase in the price of aluminium and 1.6% increase in the price of steel in the domestic US market. The cost of tariffs is not borne by overseas suppliers but indirectly through a reduction in trade and domestically through higher prices, particularly where those goods and services are common.

For the US however, the negative impact of tariffs will be felt less abruptly than many of its trading partners as trade only represents around 24% of US gross domestic product (GDP) – whereas trade accounts for 67% of Canda's GDP.

Where we are at with US trade tariffs

While talking to shock jock Joe Rogan during his election campaign, Donald Trump stated, "this country can become rich with the proper use of tariffs."

In his second week of office, President Trump used emergency powers to curb the "extraordinary threat" of illegal aliens, drugs and fentanyl into the US, by imposing the following tariffs:

- **Canada** - 25% additional tariff on imports from Canada (except energy resources that have a reduced 10% additional tariff). Canada responded by imposing its own 25% tariffs on a range of predominantly agricultural products and household goods. Canada is a trading nation and exports represent two-thirds of its GDP. In 2023, the US represented 77% of Canada's total goods export.
- **Mexico** - 25% additional tariff on imports from Mexico. Mexico has responded with its own 25% tariff on US goods.
- **China** - 20% additional tariff on imports from China. The US trade deficit was over $900bn in 2024 of which China accounts for around $270bn. The additional tariff on postal shipments from China to the US has since been temporarily suspended for items with a value under $800 until the US postal service is able to collect the tariff. China's response has been to impose additional tariffs on certain US imports including a targeted 15% tariff on agricultural products including chicken, wheat, corn and cotton, and a 10% tariff on fruit, vegetables, dairy products, pork, beef and sorghum. Export controls have been placed on some critical minerals. In addition, China has filed a complaint to the World Trade Organization.

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Industry specific tariffs and investigations

- **Steel imports** – from 12 March 2025, the original 25% steel tariff is set to resume without the bi-lateral agreements reached over time with many nations including Australia watering down the tariff.
- **Copper imports** – while no actions on tariffs, the President has ordered an investigation into the threat to security of copper imports.
- **Imports of timber, lumber products** – while no action or impositions as yet, the President has ordered an investigation into the threat to security of imports of timber, lumber and derivative products such as paper.
- **US tech giants** – it seems that the President is concerned by digital services taxes (DST) imposed on US technology companies and has vowed to respond with tariffs and other measures. Australia does not impose a DST and instead is aligned to the OECD reforms of digital taxing rights.

Will Australia face US tariffs?

Australia has a large trade surplus with the US which would normally make the imposition of tariffs less likely. However, specific industries may be impacted by product or industry based tariffs, such as steel and aluminium.

The largest American imports into Australia are financial services, travel services, telecoms/ computer/ information services, royalties and trucks. Australia's largest exports to the US are financial services, gold, sheep/goat meat, transportations services and vaccines.

Impacts of trade wars on Australia

Australia is impacted indirectly by demand. China is Australia's largest two-way trading partner, accounting for 26% of our goods and services trade in 2023. If Chinese demand slows as a result of a trade war, Australia's economy will slow.

But there is a pattern in President Trump's approach to international and trade relations that suggests that an all-out trade war might not occur: a bold line or policy is stated - a statement that tells a story to the US public consistent with his election sentiments; then, wound back either partially or fully after concessions have been secured or concessions stated. For Australia, there is a risk in these policy machinations that China again agrees to reduce the US trade deficit by purchasing more from the US, potentially to the detriment of Australian suppliers.

For Australian business, uncertainty and volatility is the problem. Uncertainty slows the economy and impacts business revenue while at the same time, costs may increase.

For those in the business of selling product manufactured and distributed from China or through other trading partners directly impacted by tariffs, watch for more supply chain issues and potential cost increases.

If the US export markets retracts, there is also a risk other trading nations look to dump their products to help offset losses.

- End -

Ban on foreign property purchases

The Government has announced a temporary ban on investors buying established homes between 1 April 2025 to 31 March 2027.

The measure aims to curb foreign "land banking."

From 1 April 2025, foreign investors (including temporary residents and foreign-owned companies) will be prohibited from acquiring established dwellings unless they qualify for specific exemptions. While exemptions exist, they are limited.

In addition, foreign investors purchasing vacant land will be required to meet development conditions that require the land to be used productively within a reasonable timeframe.