



FBT 2026 UPDATES AND IMPORTANT INFORMATION

WHAT IS FRINGE BENEFITS TAX ("FBT")?

Fringe Benefits Tax ("FBT") is a tax that is levied on the value of certain benefits that employers provide to their employees, in addition to their regular salary or wages. FBT is designed to ensure that employees who receive fringe benefits are paying their fair share of tax on those benefits, which are typically not included in their regular salary or wages.

However, it is the employer who is responsible for paying the FBT, which is calculated on the taxable value of the fringe benefit provided to the employee and it is up to the employer to recover any FBT cost directly from the employee. Employers typically also need to keep detailed records of any fringe benefits that they provide to their employees to comply with FBT regulations.

HOW DO I KNOW IF I NEED TO PAY FBT?

If you are not sure whether you are providing fringe benefits to your employees, here are some key questions you should ask yourself:

- Do you make vehicles owned or leased by the business available to employees for private use?
- Does your business provide loans at reduced interest rates to employees?
- Has your business paid for, or reimbursed, any private expenses incurred by employees including costs for working from home?
- Does your business provide a house or unit of accommodation to employees?
- Does your business provide entertainment such as Christmas functions or other?
- Do any employees have a salary package (salary sacrifice) arrangement in place?
- Has your business provided employees with goods at a lower price than they are normally sold to the public?
- Are you a director of a private company and have any of the above provided to yourself or your spouse/children etc?

Please refer to the provided checklist to help determine if you have a potential FBT liability.

WHAT IS EXEMPT FROM FBT?

Certain benefits are excluded from the scope of the FBT rules. The following work related items are exempt from FBT if they are provided primarily for use in the employee's employment:

- Portable electronic devices (e.g. laptop, tablet, mobile, PDA, electronic diary, notebook computer, GPS navigation device) that are provided primarily for use in the employee's employment (limited to the purchase or reimbursement of one portable electronic device for each employee per FBT year unless you are a small business);
- An item of computer software.
- Items that the employee could if paid for themselves be a tax deduction to them.
- A briefcase, calculator or tools of trade

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- Benefits paid in respect of training/education to staff made redundant
- Provision of certain electric vehicles and utilities (see below)
- Minor benefits under \$300/ employee that are provided infrequently
- Single trip tax fares from work

CHANGES THIS FBT YEAR?

The new FBT year starts on 1 April 2026! Here's what you need to know about some of the changes this year. For a change, most of these are positive changes!

Change of FBT rate

The good news is that the lodgement date has been extended to the 25th June 2026 if the FBT return is lodged through a tax agent. The applicable gross up rates for this year are:

FBT Year	FBT Rate	Type 1 Gross Up Rate	Type 2 Gross Up Rate
1 April 2021 onwards	47%	2.0802	1.8868

What is a valid logbook?

One of the key record keeping requirements for claiming business use for motor vehicles is that there is a valid logbook in place. A common error that I see is that clients use an app to work out their km's and assume that this will suffice as a logbook. Unfortunately, this is not the case.

In order to be a valid log book, it must contain EACH of the following items and each item must be signed

Your logbook must contain:




- when the logbook period begins and ends
- the car's odometer readings at the start and end of the logbook period
- the total number of kilometres the car travelled during the logbook period
- the number of kilometres travelled for each journey. If you make two or more journeys in a row on the same day, you can record them as a single journey
- the odometer readings at the start and end of each subsequent income year your logbook is valid for
- the business-use percentage for the logbook period
- the make, model, engine capacity and registration number of the car.

For **each journey**, record the:

- reason for the journey (such as a description of the business reason or whether it was for private use)
- start and end date of the journey
- odometer readings at the start and end of the journey
- kilometres travelled.

There are various app's that will help you with this but please note that to be valid, each entry needs to be signed. The consequences of not doing this and not having a valid log book are significant as described in a recent example shown below for not having a valid log book for a motor vehicle in a café.



Example	ATO findings	Outcome
<p>Situation</p> <ul style="list-style-type: none">• Café claimed 100% business use for luxury vehicles 	 <ul style="list-style-type: none">• Invalid logbooks• Applied statutory formula method	<ul style="list-style-type: none">• \$940k liability raised• Including 75% penalty of \$345k and \$135k interest 

Motor Vehicle Exemption for Provision of Electric Vehicles

The provision of an electric vehicle to an employee is now FBT exempt from 1 July 2022. This provides a key tax planning opportunity and means that you are able to provide the running costs and the car to staff (including associates) without any FBT and claim tax deductions for these costs, irrespective of whether or not it is being used in the business!. In order to qualify for the exemption, you need to meet the following conditions;

- a) The vehicle is first held and used from 1 July 2022 (ie difficulty with second hand vehicles)
- b) The vehicle must fall within the definition of a car for FBT purposes eg no motorbikes, e-bikes or vehicles designed to carry more than one tonne.
- c) The cost of the vehicle is less than the luxury car limit which for the 2025/2026 year is \$91,387
- d) It must be a battery electric or hydrogen fuel cell ie NOT a hybrid
- e) It is designed to carry less than 1 Tonne and fewer than 9 passengers

However, a couple of points to note on this exemption;

- A) The exemption does not apply to charging infrastructure, or any GPS provided so if this is provided, it will be subject to FBT
- B) Whilst there is no FBT liability, unlike most exemptions, these will need to be reported on the employee PAYG Payment summary as part of their reportable fringe benefits tax. This means that the employee will need to include it as part of their adjusted taxable income calculation.

Utes and Exempt Vehicle record keeping Requirements.

It is well known that certain vehicles e.g., utes are exempt from FBT if the vehicle is used for “minor, infrequent and irregular” travel and this is documented in a declaration. Practical compliance guideline (PCG 2017/14) has now been released to provide guidance on when exactly these vehicles are exempt. They will only be exempt from 1 April 2017 if.

- i) They are an eligible vehicle.
- ii) The employer takes all reasonable steps to limit private use and monitor this
- iii) The vehicle has no non-business accessories.
- iv) The GST inclusive value is less than the luxury car limit (approx. \$80,000)
- v) The vehicle is not part of a salary packaging arrangement.
- vi) The employee uses their vehicle to travel between home and work with no more than 2km of diversion, no more than 1,000 km in total for private journeys and no single return private journey of more than 200 km.

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This ruling is a significant departure of the current rules and will require a change in documentation to prove that the Ute is FBT exempt.

Interaction between FBT, income tax and GST

If you pay FBT on a benefit relating to entertainment then the business can generally claim a deduction for the costs associated with providing the entertainment as well as the GST credits. However, if FBT does not apply to the benefit then no deduction or GST credits can generally be claimed.

Entertainment can be almost anything from food, drink, recreation such as movie tickets, to non-work based travel. If you provide any entertainment benefits to employees, such as an employee attending a business lunch, then FBT might apply.