

Country Tax Guide: Australia



About this Guide:

This guide is based on information provided by international tax experts at IBFD to provide employers with a general overview of the tax treatment of key benefits in kind granted to resident employees. It is intended to offer practical insights to help multinational employers better understand potential tax implications when structuring benefit programs in-country. The guide does not include different tax concessions granted to non-residents and/or expatriates, tax reliefs employees may claim in their own tax returns, option arrangements and low interest bearing loans. While the content reflects extensive research and the expertise of IBFD, it is provided for informational purposes only and does not constitute formal tax advice. Employers are strongly encouraged to consult qualified tax advisors for guidance tailored to their specific business operations, workforce profile, and benefits design in the relevant jurisdiction.

Source of Information

In Australia, broadly, the provision of certain non-cash benefits by employers to their employees, or to their employees' family or other associates (i.e. 'fringe benefits') is taxable at the level of the employer under the fringe benefits tax (**FBT**) regime.

The FBT regime is governed primarily by the [Fringe Benefits Tax Assessment Act 1986](#) (Cth) (**FBT Act**), which establishes the rules for assessing and collecting FBT.

The Australian Taxation Office (**ATO**) has also published detailed guidance regarding the application of FBT principles to assist employers with complying with their FBT obligations (available on the [ATO website](#)).

Main principles

The FBT regime is separate to income tax. FBT is payable by all employers, including the Commonwealth, state and territory governments, and is calculated on the taxable value of fringe benefits.

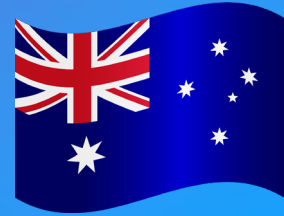
Certain employers (public benevolent institutions, health promotion charities, public or not-for-profit hospitals and public ambulance services) may be exempt from FBT. In addition, certain charitable institutions may receive an FBT rebate. Threshold requirements apply to both the aforementioned rebate/exemption.

What is a fringe benefit?

Generally, a fringe benefit is any non-cash remuneration (e.g. use of a car, provision of accommodation, a loan of money at a non-commercial interest rate, etc) which is provided 'in respect of' the employee's employment. This may be provided in addition to, or in place of, the salary or wages of employees.

A fringe benefit may be provided directly to an employee, or be provided either directly to an employee, or by way of a reimbursement of an expense incurred by said employee.

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Certain benefits provided to an employee or associate are specifically excluded from being a taxable fringe benefit for the purposes of the FBT regime, including benefits provided under employee share schemes, deemed dividends and superannuation contributions.

How is taxable value determined?

Generally, the FBT amount payable by an employer is 47% of the 'grossed-up' value of the fringe benefits.¹ To work out how much FBT the employer is liable to pay, the taxable value of the fringe benefits provided is grossed up to an amount that is equivalent to the gross income that the employees would have had to earn, at the highest marginal tax rate (including the Medicare levy), to pay for the benefits themselves.

There are 11 specific categories of fringe benefit in the FBT Act, and a general category (called 'residual' fringe benefits). The specific categories are:

1. Car fringe benefits;
2. Debt waiver fringe benefits;
3. Loan fringe benefits;
4. Expense payment fringe benefits;
5. Housing fringe benefits;
6. Living-away-from-home fringe benefits;
7. Board fringe benefits;
8. Meal entertainment fringe benefits;
9. Tax-exempt body entertainment fringe benefits;
10. Car parking fringe benefits; and
11. Property fringe benefits.

Each category has its own method of determining the taxable value of the benefit, and therefore, the amount that is subject to fringe benefits tax.

¹ This is the rate applicable from the FBT year ending 31 March 2018 and subsequent FBT years.

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Benefit types

Meals

In general, the provision of food and drink by an employer to an employee is prima facie subject to FBT, unless an exemption applies.

There is an exemption from FBT that may apply in respect of the provision of food and drink by an employer to an employee that is to be consumed by employees on the employer's business premises on a working day.

However, to the extent that the employer provides an employee a 'meal entertainment benefit', the provision of the meal entertainment benefit is likely to be a taxable fringe benefit.

The provision of food or drink is more likely to constitute a meal entertainment benefit where the provision of that benefit is:

- Provided in a social situation where the purpose of the meal is for the employees to enjoy themselves;
- The food/meal provided is elaborate (particularly if it includes alcohol);
- The food/meal is provided outside of work hours and away from the employer's business premises (e.g. in a function room, hotel or restaurant, or is consumed with other forms of entertainment).

Employers may calculate the taxable value of 'meal entertainment benefits' for FBT purposes based on the actual value of the benefits provided. However, the following concessional valuation methods may also apply to meal entertainment benefits:

- 50:50 split method: the taxable value is 50% of your total expenditure on all meal entertainment for all people (irrespective of whether they are employees, clients or others) during the FBT year; and
- 12-week method: keep a register of meal entertainment, including costs and recipients, for a continuous period of 12 weeks. Work out the percentage of your expenditure on employees and their associates. The taxable value of meal entertainment is this percentage of the employer's total expenditure on all meal entertainment for all people during the FBT year.

Cars

A taxable fringe benefit typically arises where an employer's car made available, or taken to be made available, for the private use of an employee.

However, an exemption from FBT may apply where the employer provides an employee with the private use of an electric car which meets the following conditions:

- the car is a zero or low emissions vehicle;
- the first time the car is both held and used is on or after 1 July 2022;
- the car is used by a current employee or their associates (such as family members); and



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- luxury car tax (**LCT**) has never been payable on the importation or sale of the car. In the year ending 30 June 2026, the LCT value threshold is \$91,387.

Commuting

The provision by an employer of free or discounted public transport to and from work to an employee is typically treated as a taxable fringe benefit.

However, if the employer pays for employees to travel by a taxi or ride-sourcing vehicle, the commute may be exempt from FBT if it is a single trip that begins or ends at the employee's place of work.

Childcare

There are no specific FBT exemptions that apply in respect of the provision of free or discounted childcare services by an employer to an employee. Accordingly, the provision of free or discounted childcare is typically treated as a taxable fringe benefit.

Well-Being

There are no specific FBT exemptions that apply in respect of the provision of free or discounted healthcare services by an employer to an employee. Accordingly, the provision of free or discounted healthcare services is typically treated as a taxable fringe benefit.

Tuition Assistance:

There are no specific FBT exemptions that apply in respect of the provision of free or discounted tuition assistance provided by an employer to an employee or to their associates (e.g. children).

However, the 'otherwise deductible' rule broadly permits the gross taxable value of certain fringe benefits to be reduced by the amount that an employee would otherwise have been entitled to deduct, had the employee incurred the expense themselves.

The 'otherwise deductible rule' may apply to reduce the taxable value of tuition fees to nil, to the extent an employee incurs tuition fees as part of a 'self-education expense' and the following conditions apply:

- the income-earning activities of the employee are based on the exercise of a skill or some specific knowledge and the self-education enables the employee to maintain or improve that skill or knowledge; and/or
- the self-education objectively leads to, or is likely to lead to, a future increase in the employee's income from their current income-earning activities.

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Other Benefits, If Any

- **Parking:** A taxable 'car parking benefit' typically arises where parking is provided on business premises, the car is parked for more than 4 hours on the particular day, the car is used for travel between home and work, and a commercial parking station is located within 1 km of the parking facility. A car parking benefit is typically subject to FBT.

There is an exemption from FBT for the provision of parking benefits if they do not fall under the formal definition. For example, if there is no commercial parking station within 1km..

Exemptions are available for the provision of benefits that would otherwise be taxable car parking benefits in a number of specified circumstances, including disabled parking and parking provided by small or medium business employers.

An employer is not liable to pay FBT in respect of exempt benefits. Common examples of exempt benefits include:

- Minor benefits – this exemption applies where (i) the notional taxable value of the benefit is less than \$300, and (ii) it would be unreasonable to treat the benefit as a fringe benefit.
- Work-related items – certain work-related items (e.g. a portable electronic device).
- Membership fees and subscriptions – subscriptions to a trade or professional journal, an entitlement to use a corporate credit card and an entitlement to use an airport lounge membership.

Procedures

Liability to FBT is assessed on an annual basis and the standard tax year for FBT purposes is the year from 1 April to 31 March, rather than the financial year. The lodgment due date for annual FBT returns is 21 May of the relevant FBT year, and the balance of any FBT owing must also be paid by 21 May.

The FBT regime operates on a self-assessment basis, and therefore, employers that are required to lodge a FBT return must determine their FBT liability by calculating the fringe benefits taxable amount of the fringe benefits provided to their employees (and associates of employees) during that FBT year.

Eligible non-profit employers may be entitled to claim a rebate for FBT purposes in respect of certain expenses that are non-deductible for income tax purposes.

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The information contained in this country tax guide has been provided by the international tax experts at IBFD based on available data as of September 2025.

About IBFD: Founded in 1938 as the International Bureau of Fiscal Documentation, IBFD has developed into one of the most respected organizations studying and documenting international taxation systems and investment legislation. Today, the IBFD's activities include (but are not limited to) research and provision of tax information, databases and publications, consultancy for governments and tax administrators, and training on international tax matters for the public and private sectors. IBFD clients include ministries, international corporations, legal and accountancy practices, banks, educational institutions and others who look to the IBFD as a first-class source of information. As an independent, not-for-profit research foundation, the IBFD offers objective and unbiased information. For more information go to [IBFD.org](https://www.ibfd.org).