



What is FBT?

Fringe Benefits Tax (FBT) is a tax employers pay on certain benefits they provide to their employees, in addition to their salary or wages. This tax is separate from income tax and is based on the taxable value of the fringe benefits provided.

All novated leases packages with Salary Packaging Australia (S.P.A.) are subject to FBT. We calculate the taxable value of your vehicle that will be reported by your employer each year (FBT period: April to March).

There are two main factors:

- FBT is calculated as 47% of the vehicle's base value.
- The FBT payable is then reduced or eliminated by any employee post-tax contributions.



Calculating FBT on Novated Lease Vehicles

There are two ways to calculate the taxable value: Statutory Method or Operating Costs Method. One of the methods will be applied to eliminate the FBT liabilities.

Statutory Method

This method applies following formula.

Vehicle base value x Statutory rate x period novated lease was held – post tax contribution collected.

Base Value: The base value of the vehicle is determined at the start of the lease. This is typically the original cost of the car, including any accessories but excluding any government on-road costs.

Statutory Rate: This is a rate provided by legislation and the current rate is 20%

Period novated lease was held: number of days the vehicle was available for use. If packaged for the full year, then the period is 365 days (366 days in leap year).

Post tax contributions collected: post tax deductions received during the FBT year (April to March)

Example Calculation:

Base Value of Vehicle: \$35,000

Taxable value: \$35,000 x 20% = \$7000

Post tax contribution required for the full year to eliminate FBT liability is \$7000.

Operating Cost Method

This method applies following formula.

Total operating costs of the vehicle x (100% - Business use %) - post tax contribution collected

Total operating costs of the vehicle: Total costs including lease payments and all running costs inclusive of GST during the FBT year.

Business use %: kilometres travelled for business use as a percentage of overall driving during 12-week period. A logbook* must be kept validating the percentage applied.

*ATO compliant logbook for minimum 12-week period is required and submit vehicle Business Use Declaration form to S.P.A.

Example Calculation:

Total costs incurred during the FBT year is \$15,000 with business use 75%

Taxable value: \$15,000 x (100%-75%) = \$3,750

Post tax contribution required for the full year to eliminate FBT liability is \$3,750.



Collection of Post Tax

Post tax contribution required for the period of vehicle was held is collected as post tax deductions from your pay. This required amount is evenly divided across the pay periods.

If required amount is collected during the year your taxable value is reduced to \$0 and you do not need to pay the FBT liability.

There are some cases where the full required post tax is not collected, this will result in a FBT liability.

Some of example cases where the full required post tax is not collected:

- Missing deductions: During the FBT year, if we have not received some of your deductions for various reasons such as Leave Without Pay.
- Natural timing difference: your lease start date and your first deduction commence date is not the same day. This case generally creates few days shortfall.
- Lease started in the late FBT year: your new lease or refinance started late in the FBT year and there was not sufficient time to collect the required amount to offset the FBT requirement.

All above cases will result in FBT liability due to full required post tax amount is not collected, therefore we collect the post tax shortfall as FBT liability using the calculation below.

Taxable value x Gross-up rate x FBT Rate

Taxable value: Amount calculated using either Statutory method or Operating Cost Method (see above for formula)

Gross-up rate: ATO provided rate of 2.0802 (benefits with GST) and 1.8868 (benefits without GST)

FBT rate: currently 47%

Example Calculation:

Post tax required for the year: \$7000

Post tax deduction collected: \$6700

Then the shortfall is \$300 (\$7000-\$6700)

FBT liability = \$300 x 2.0802 x 47% = \$293.31