

Talk Tax – Employers Fringe Benefit Tax

FS: Please explain what is Fringe Benefit Tax (FBT)?

ACEO: The FBT is a tax imposed on employers in relation to fringe benefits provided to all employees. It only applies to benefits in kind which means it only applies on non-cash benefits as normal income tax applies to cash benefits. To be a fringe benefit it must be provided by the employer to an employee.

FS: Will the employee be also liable for FBT?

ACEO: No, the employee will not pay any FBT as this tax obligated solely to employers that provide fringe benefits to its employees.

FS: How would you define an employer and an employee?

ACEO: An employer is a person who engages or remunerates an employee. Employer includes an individual, company, trust, partnership, government, political subdivision of a government and an international organisation. In the case of a partnership or trust, FBT is imposed at the entity level. An employee is an individual engaged in employment.

FS: Non-profit bodies and local governments don't pay Income tax; will they be exempted from FBT?

ACEO: While the Non-profit bodies and local governments are not liable for income tax, they will be liable for FBT because FBT is a proxy for taxing the fringe benefits of their employees through the normal income tax. Where an employer cannot be taxed FBT for policy reasons, then the value of fringe benefits provided will be included in the employment income of local employees.

FS: Are religious bodies subject to FBT?

ACEO: No, all religious bodies registered under the Religious Bodies Registration Act are exempted from paying FBT. They were exempt from 2015 but have to be taxed for prior years.

FS: What types of benefits are subject to FBT?

ACEO: Employment benefits that are subject to FBT are:

1. debt waiver fringe benefit;
2. household personnel fringe benefit;
3. housing fringe benefit;
4. discounted interest loan fringe benefit;
5. meal or refreshment fringe benefit;
6. motor vehicle fringe benefit;
7. private expenditure fringe benefit;
8. property fringe benefit; and
9. residual fringe benefit.

FS: Will excess FNPf and other cash allowances and benefits paid by employers to employees subject to FBT?

ACEO: No, excess FNPf and other cash allowances and benefits will not be subject to FBT as it will be subject to PAYE as these are cash benefit. Employees continue to be liable for any kind of benefit received in cash.

FS: Will FBT apply where employers pays accommodation, meal and travel to hotels for an employee on a business trip?

ACEO: No, such payments by the employer to the supplier will not be subject to FBT. Where a fringe benefit is exempted it will not be taxable in the hands of the employer.

FS: What types of Fringe Benefits are exempted from FBT?

ACEO: The following fringe benefits are exempt fringe benefits—

- (a) the value of which is exempt income of the employee;
- (b) a fringe benefit provided to an employee in respect of employment if the employment income arising from the employment is exempt income;
- (c) a fringe benefit the value of which, after taking into account the frequency with which similar benefits are provided by the employer, is so small as to make accounting for it unreasonable or administratively impracticable;
- (d) a meal or refreshment provided in a canteen, cafeteria or dining room operated by or on behalf of an employer solely for the benefit of employees and which is available to all non-casual employees on equal terms; or
- (e) the provision of accommodation or housing to a non-managerial employee in a remote area if—
 - (i) the employee’s usual place of employment is in the remote area; and
 - (ii) it is necessary for the employer to provide the accommodation or housing to the employee in the remote area because—
 - the nature of the employer’s business is such that the employee is likely to move frequently from one residential location to another; or
 - there is insufficient suitable residential accommodation available in the remote area;
- (f) a fringe benefit provided to an employee of a religious body registered under the Religious Bodies Registration Act (Cap. 68).

FS: How is the FBT calculated?

ACEO: FBT payable is computed by applying the tax rate of 20% to the employer’s fringe benefit taxable amount for a quarter. The fringe benefits taxable amount is based on the sum of the value of all fringe benefits provided by the employer for the quarter in which it is provided.

$$\text{Fringe Benefit Tax} = \text{Fringe Benefit Tax Rate} \times \text{Fringe Benefit Taxable Amount}$$

FS: How is the Fringe Benefit Taxable Amount calculated?

ACEO: The Fringe Benefits Taxable Amount of an employer for a quarter is computed in accordance with the following formula—

$$\frac{A}{(1 - r)}$$

Where—

A is the total value of fringe benefits provided by the employer to employees in the quarter; and
r is the rate of Fringe Benefits Tax prescribed by Regulations made under this Act.

FS: How will you determine the value of the Fringe Benefit Taxable Amount for VIP or VEP pricing?

ACEO: The value of fringe benefit provided to employees is the total cost incurred by employer in providing that benefit to employees. The value of benefit will be VIP amount paid by the employer to the VAT registered person and the value of benefit will be VEP amount paid by the employer to persons not registered for VAT.

FS: When is the due date for lodging and paying the Fringe Benefit Tax?

ACEO: The due date for lodgment of the return is also the due date for payment of the FBT. It is a self-assessment return. A person who has files a FBT return is treated as having made an assessment of the amount of FBT payable. The employer must pay the FBT for each quarter on or before the end of the month following the end of each quarter. Employers are required to keep records to support the computation of FBT payable including valuation of fringe benefits. Penalties apply for failure to file a FBT return or make payment by the due date. The due dates for each quarter are:

Quarter	Due Date
1 st Quarter	30 th April of the Current Year
2 nd Quarter	31 st July of the Current Year
3 rd Quarter	31 st October of the Current Year
4 th Quarter	31 st January of the following Year

FS: What if there was no benefit provided to employees for a particular period?

ACEO: In cases where there may be no fringe benefit provided by the employer for a quarter, employer is still liable to lodge the FBT return for the particular quarter.

FS: Can employers claim for the tax payable as a deductible expense?

ACEO: No, FBT is not a deductible expense for the employer as stated under Section 22(1)(h) of the Income Tax Act.