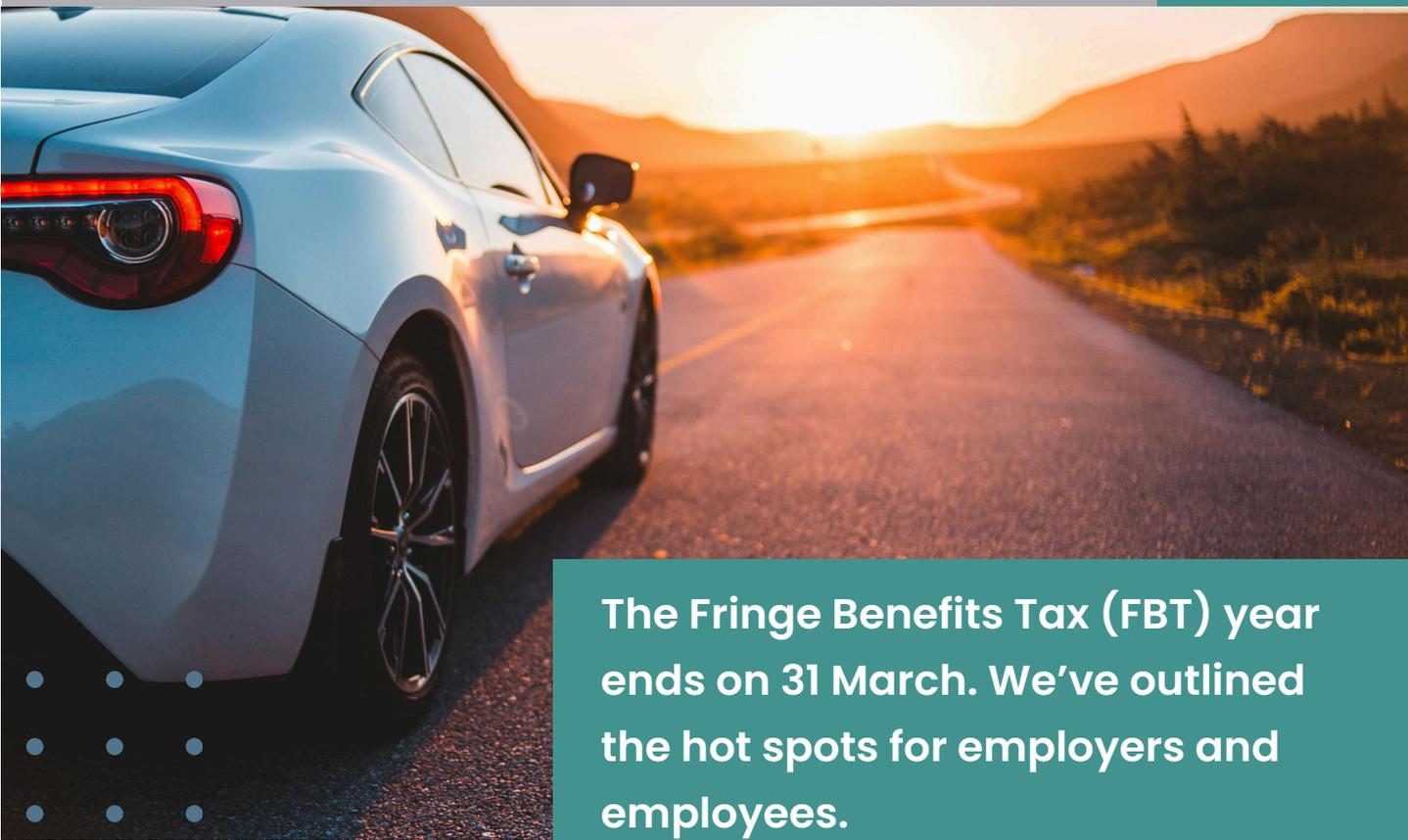


# FBT 2026

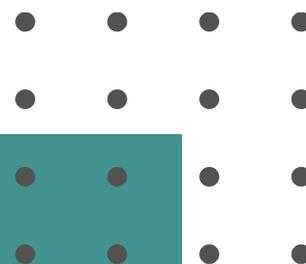


## What you need to know



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

Viden  
Advisory 



## > **Table Content**

<b>What is FBT and why does it matter?</b>	<b>03</b>
<b>Important FBT issues for 2025–26</b>	<b>04</b>
<b>What the ATO is focusing on</b>	<b>05</b>
<b>Private use of work vehicles</b>	<b>06</b>
<b>Does FBT apply to your contractors?</b>	<b>07</b>
<b>Record keeping is still critical</b>	<b>08</b>
<b>The top FBT risk areas</b>	<b>09</b>
<b>What you should have ready</b>	<b>11</b>

# > FBT 2025–26



Are you unsure whether your business has Fringe Benefits Tax obligations this year?

Let us help you stay compliant and avoid costly mistakes.

## What is FBT and why does it matter?

Fringe Benefits Tax applies when certain benefits are provided to employees or office holders, such as directors, in addition to their salary or wages. This can include things like cars, car spaces, entertainment, reimbursement of private expenses, and employee discounts. If these benefits are provided and not treated correctly, your business may have an FBT liability.

Even businesses that are not registered for FBT should review their position each year to make sure they are not overlooking a liability.

# > Important FBT issues for 2025–26

## Electric vehicle exemption

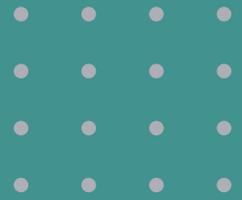
Employers that provide eligible electric vehicles to employees may qualify for an FBT exemption where certain conditions are met. Broadly, this may apply where the employer owns or leases the vehicle, the car is a zero or low emission vehicle, it was first held and used on or after 1 July 2022, and the value of the car is below the luxury car tax threshold for fuel-efficient vehicles, being \$91,387 for 2025–26.



## Plug-in hybrids no longer automatically exempt

From 1 April 2025, plug-in hybrid electric vehicles generally no longer qualify for the FBT exemption unless the exemption already applied before that date and there is a financially binding commitment to continue providing private use of the vehicle. If that commitment changes or breaks on or after 1 April 2025, the exemption will usually no longer be available.

# > What the ATO is focusing on

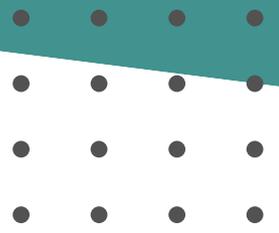


**If your business has done any of the following, it may be time for a closer FBT review:**

- Provided a work vehicle that is garaged at or near an employee's home
- Claimed entertainment expenses without considering the FBT treatment
- Used employee contributions to reduce fringe benefits
- Engaged contractors without reviewing whether they are genuinely contractors
- Failed to maintain logbooks, odometer readings, or supporting records
- Assumed an FBT return was not required because no one flagged an issue earlier

Even where there is no tax payable, poor records or incorrect treatment can still create risk.





# > Private use of work vehicles



This remains one of the biggest FBT risk areas. The ATO is actively targeting employers who fail to report, or incorrectly report, fringe benefits associated with work vehicles. Common mistakes include assuming dual-cab utes are automatically exempt, not maintaining valid logbooks, failing to keep odometer readings, and treating private travel as business use.

Importantly, a vehicle can be considered available for private use if it is garaged at or near an employee's home, even if the employee has not been expressly given permission to use it privately. Employers also need to correctly identify whether they are providing a car benefit or a residual benefit, as this affects the tax treatment.

The ATO has highlighted the seriousness of this issue with a case study involving a Melbourne restaurant, where poor logbook records and failure to lodge resulted in a total liability of \$938,000, including tax, penalties and interest.

# > Does FBT apply to your contractors?

FBT generally applies to benefits provided to employees and certain office holders, not genuine independent contractors. But working out whether someone is truly a contractor can be more complicated than it seems.

The ATO's ruling TR 2023/4 says that where there is a written contract, the terms of that contract are critical in determining the relationship. Simply calling someone a contractor does not make it so if the contract points more toward employment. The ATO's PCG 2023/2 also outlines risk factors, including whether the arrangement is documented properly, understood by both parties, and followed consistently in practice.

And even where a worker is a genuine contractor, that does not always mean there are no employment-style obligations - for example, some contractors can still be treated as employees for superannuation guarantee or payroll tax purposes.



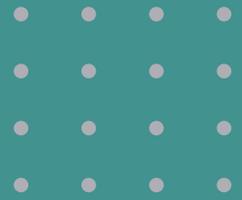
# > Record keeping is still critical



FBT record keeping can be onerous, but there is now more flexibility in how records can be maintained. Depending on the type of benefit and the available documentation, businesses may be able to rely on traditional declarations, existing business records, or a combination of both where the relevant legislative instrument requirements are met. Your article lists examples including travel diaries, living-away-from-home declarations, otherwise deductible declarations, relocation transport, and temporary accommodation records.

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# > The top FBT risk areas



## Entertainment

Entertainment is one of the easiest areas for the ATO to spot mismatches. If a business claims a deduction for entertainment but does not deal with the FBT implications properly, it can quickly become a problem. In general, restaurant meals and similar entertainment expenses are not deductible and do not attract GST credits unless they are subject to FBT.

For example, if your business uses the actual method, a client lunch may not create an FBT issue if the employee benefit is minor and infrequent - but no deduction or GST credit would usually be available. If the business uses the 50/50 method, then 50% of the meal entertainment expense may be subject to FBT, with 50% deductible and 50% of the GST credits claimable.

## Employee contributions by journal entry

Many businesses use after-tax employee contributions to reduce the taxable value of fringe benefits, and sometimes those contributions are recorded only through journal entries. While that can work, it needs to be handled properly.



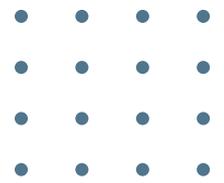
# > The top FBT risk areas

The employee must be under an obligation to contribute, the employer must have a corresponding obligation, both parties must agree to the set-off, and the journal entries must be made no later than the time the financial accounts are prepared. If the arrangement is poorly documented, the reduction may not be accepted.

## Not lodging returns

The ATO is also concerned that some employers are simply not lodging FBT returns when they should be. If your business provides cars, car spaces, reimburses private expenses, offers entertainment, or provides employee discounts, there may be an FBT exposure. On the other hand, some benefits such as laptops, protective clothing, tools of trade, and infrequent low-value items under \$300 may be exempt.





# > What you should have ready

## Preparing for FBT doesn't need to be hard. Here's what to review now:

- Vehicle logbooks and odometer readings
- Entertainment expenses and how they have been treated
- Any employee contribution arrangements
- Contractor agreements and classifications
- Records supporting exemptions or declarations
- Your FBT client questionnaire and any outstanding items

## Don't risk it. Let the experts help.

FBT can be easy to overlook, but the cost of getting it wrong can be significant. Whether you need help reviewing work vehicles, checking exemptions, assessing contractor arrangements, or preparing for lodgement, we can help you work through it clearly and confidently. Stay compliant, avoid costly errors, and let Viden Advisory help you get your FBT obligations right.