

FACT SHEET

FBT – Charitable and Other Donee Organisations and Fringe Benefit Tax

Issued: 31 May 2022

BR Pub 22/06 FS

This fact sheet accompanies Public Ruling **BR Pub 22/06** which considers when benefits provided by charitable organisations and other donee organisations (we call these “qualifying organisations”) to their employees may be excluded from fringe benefit tax (FBT).

Background to providing fringe benefits

Fringe benefit tax (FBT) applies where employers pay their employees with goods or services instead of cash. PAYE applies to payments of salary and wages, and FBT applies where goods or services are provided so employers are not incentivised to provide non-cash benefits instead of salary or wages.

However, there is an exclusion from FBT for some non-profit organisations. The FBT exclusion means most non-cash benefits provided to employees will not be fringe benefits and no FBT will be payable for qualifying organisations. Qualifying organisations are organisations that apply their funds to benevolent, charitable philanthropic or cultural purposes (the organisation’s “specified purposes”). How the FBT exclusion applies for qualifying organisations is set out in **BR Pub 22/06** and summarised in this fact sheet.

The FBT exclusion

To understand how the FBT exclusion applies, there are several things you need to know:

- Are you a qualifying organisation?
- What are key elements of the FBT exclusion?
- When does the FBT exclusion apply?
- What if you have multiple businesses?
- What about short-term charge facilities?

Are you a qualifying organisation?

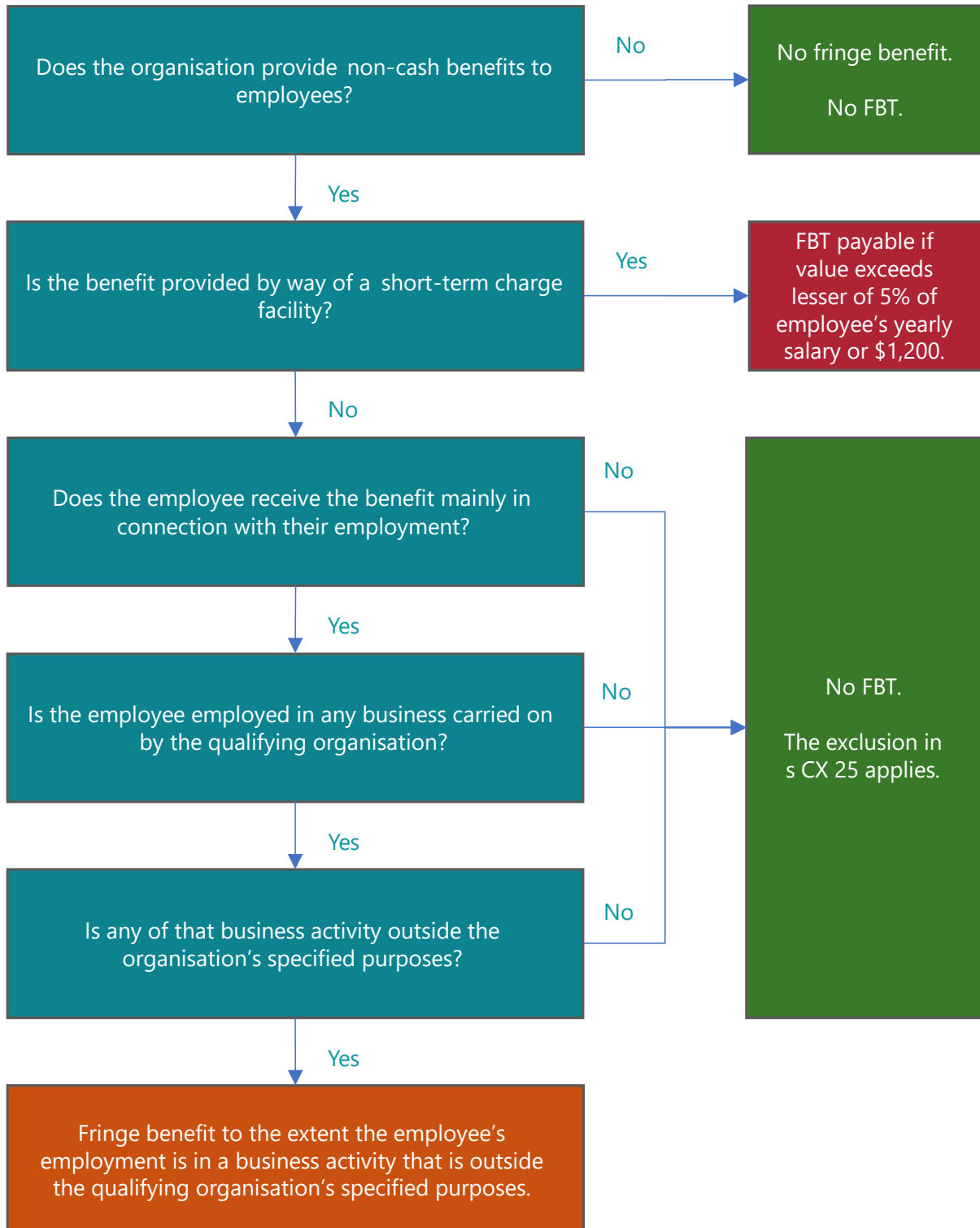
The following flow chart will assist you to determine whether you are a qualifying organisation:



What are the key elements of the FBT exclusion?

Element	Discussion
Providing non-cash benefits to employees.	Fringe Benefit Tax and the FBT exclusion are only relevant if you're providing non-cash benefits to your employees . Non-cash benefits include things like enabling an employee to use a company motor vehicle for private purposes or providing employees with interest-free loans. But if the benefit is provided by way of a short term charge facility , see the discussion below.
Employees – in connection with employment	The non-cash benefit must be provided to an employee in connection with their employment for FBT to potentially apply.
Volunteers	Benefits provided to a person mainly as a volunteer would not be fringe benefits and FBT would not apply.
Employee must be employed in a business	You need to be carrying on a business . Some organisations will simply carry out their benevolent, charitable, cultural or philanthropic purposes (your " specified purposes ") without carrying on a business.
FBT depends on whether the business is within or outside your organisation's specified purposes	
Business activities within your specified purposes	Where your business activity is carried on within your specified purposes, the FBT exclusion will apply so there is no FBT payable. Example: Private school carried on by qualifying organisation. If non-cash benefits provided to employee of the private school, the FBT exclusion applies.
Business activities outside your specified purposes	Where your business activity is carried on outside your specified purposes, the FBT exclusion does not apply so FBT is payable. Example: Private school carried on by qualifying organisation. The organisation also owns a farm that it runs as a business with proceeds used to help fund the school. This farming business is outside the organisation's specified purposes. Any non-cash benefits provided to farm employees are subject to FBT.

When does the FBT exclusion apply?



What if you have multiple businesses?

Where an employee works across multiple business activities, some within the qualifying organisation's specified purposes and some outside it, the FBT exclusion may be apportioned. FBT may be payable on non-cash benefits provided to employees employed in business activities outside of those purposes.

What about short-term charge facilities?

The FBT exclusion does not work for benefits provided by way of short-term charge facilities.

An example of a short-term charge facility is the employee being able to use a business credit card for private purchases of goods or services. The short-term charge facility exception ensures qualifying organisations cannot provide a large part of an employee's pay in the form of benefits that are readily substitutable for cash.

FBT is always payable on benefits provided by way of short-term charge facilities to employees of qualifying organisations if the value of the benefit is over:

- \$1,200; or
- 5% of the employee's salary.

About this document

Some of our longer or more complex items are accompanied by fact sheets, which summarise and explain the main points.