

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Budget Estimates 2014
3 June to 5 June 2014

Department/ Agency: Treasury

Question: BET 877-880

Topic: Fringe Benefits Tax

Reference: Written – 12 June 2014

Senator: Wong

Question:

- 877. Why is there an increase in the FBT rate as part of the income tax increase?
- 878. Isn't FBT paid by companies? Why does it need to go up if this is an income tax increase on individuals?
- 879. What would happen if you raised the income tax rate but didn't raise the rate of FBT?
- 880. In the explanatory memorandum for this measure, Treasury outlines concerns that without a raise in the rate of FBT people would be able to avoid paying the levy. How would this work?

Answer:

- 877. Increasing the FBT rate is an important integrity component of the Temporary Budget Repair Levy (the levy).
- 878. Yes, FBT is paid by the employer.

Non-cash benefits that employers provide to employees are taxed through the fringe benefits tax (FBT) system.

The FBT system plays an important role in maintaining the fairness and integrity of Australia's taxation system. It places employees with access to fringe benefits on a more even footing with employees whose remuneration consists entirely of salary or wages.
- 879. The FBT rate would no longer be set at the top marginal tax rate which would increase the opportunities for taxpayers to avoid the levy.
- 880. For example, a taxpayer could enter into a salary sacrifice arrangement to reduce their taxable income to under \$180,000. In this situation, expenses provided through the salary sacrifice arrangement would be liable for FBT at a rate of 47 per cent, compared to receiving additional salary which would be liable for personal income tax at a marginal rate of 49 per cent (for income above \$180,000).