Fringe benefit tax

If you're providing special perks to your employees, like gym memberships or work vehicles for personal use, you're likely to be liable for fringe benefit tax (FBT).

Find out what you need to know on this page, and test yourself with our quiz.

What is FBT?

FBT is a tax on benefits you provide to your employees. It applies to things like:

- work vehicles available for personal use
- subsidies on gym memberships or insurance
- discounted goods and services.

FBT doesn't apply to things already taxed for the employee, like:

- salary and wages
- cash bonuses
- employee allowances

Quiz

Quiz: Employee allowances vs FBT

Test your knowledge on employee allowances and fringe benefit tax. When you’re done, follow the links in the answers for more details.

Case study

Driving up costs
Jim has a plumbing business with three employees and two vans. Jim uses one of the vehicles himself, and his second-in-command, Paul, takes the other home each evening and weekend.

When Paul first started, Jim let him use the van for non-work purposes at the weekend. This meant Jim had to pay FBT on 2/7th of the cost of the van.

Jim decides this is costing his business too much. He gets Paul to sign an agreement that he’ll only use the work van for getting to and from jobs. When he isn’t working, it stays parked at Paul’s house.

With no availability for personal use, there's no FBT payable on his use of the van.

**FBT doesn’t apply to compulsory KiwiSaver employer contributions.**

These are taxed via [ESCT](/tax-and-accounting/tax-when-you-have-employees/employer-superannuation-contribution-tax-esct/). FBT applies to any KiwiSaver employer contribution not subject to ESCT or PAYE.

**How FBT works**

There are four main groups of taxable fringe benefits:

- motor vehicles available for personal use
- free, subsidised or discounted goods and services
- low-interest loans (other than those provided by life insurance companies)
- employer contributions to sickness, accident or death benefit funds, specified insurance policies, and superannuation schemes not subject to employer superannuation contribution tax (ESCT).

You pay FBT on the cost of the benefit to the employee, eg the cost of the car for the portion of time it's available for personal use. See formulas in the [Inland Revenue FBT guide](http://www.ird.govt.nz/forms-guides/number/forms-400-499/ir409-guide-fbt.html).

When you first start giving your employees the benefit, you need to register for FBT with Inland Revenue. You can register online or by calling Inland Revenue.

[FBT categories](http://www.ird.govt.nz/fringe-benefit-tax/) — Inland Revenue

**FBT can be expensive. If you're thinking about providing employee perks, first read the FBT guide (IR409).**

If you're still not sure how FBT works, it's worth getting professional advice. If you find out too late that you should have been paying it, it can result in a big bill. [Download the FBT guide](http://www.ird.govt.nz/forms-guides/number/forms-400-499/ir409-guide-fbt.html) (IR 409)
Filing your FBT return

There are three options for filing returns:

1. Quarterly.
2. Annually for the tax year.
3. Annually for your income year.

Your choice might be limited depending on the type of company you have and how much tax you pay each year.

Which FBT return period is best for your business (external link) (http://www.ird.govt.nz/fringe-benefit-tax/) — Inland Revenue

Common mistakes

Avoid these common FBT pitfalls:

- Many employers don't realise until too late that they need to pay FBT. If you find out after you've been giving taxable benefits for a while, you'll have to backdate your tax payments, which can result in a big bill.
- Not working out the financial implications — FBT can be expensive, so work out if you'll be better off just offering higher salaries or regular bonuses instead.

How helpful was this information?

- 1 Star
- 2 Star
- 3 Star
- 4 Star
- 5 Star

Additional comments

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Related content
FBT tax guide from Inland Revenue (IR409)


For more information on FBT rates, calculating FBT and completing FBT returns.


Read on

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(/tax-and-accounting/reducing-your-tax/claiming-expenses/)

Offsetting expenses against income can help with your tax bill. But you’ll need to know what to claim for, and how.

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Find out more
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