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Dear Paul,

Board of Taxation: FBT targeted consultation - Red Tape Reduction Review

CPA Australia is Australia's leading professional accounting body and one of the largest in the world. We represent the diverse interests of more than 176,000 members in over 100 countries and regions. We make this submission in response to the inquiry into the Board of Taxation (BoT)'s targeted consultation **Red Tape Reduction Review** on behalf of our members and in the broader public interest.

Summary of key points to the consultation questions:

1) FBT grouping (Q1–Q7)

- FBT grouping would materially reduce compliance by cutting multiple entity returns to a single group return, removing inter-entity "arranger" complexity, enabling centralised record-keeping, and simplifying ATO review/audit interactions.
- Time savings can be modelled by comparing "time per entity" (data + calculation + review + lodgement) against a consolidated workflow; review/lodgement effort is expected to drop significantly (noted as potentially a 40 to 60 per cent reduction for large groups).
- FBT grouping expected to improve accuracy/consistency by reducing double-counting/omissions from arranger provisions, enforcing consistent valuation approaches, avoiding "wrong ABN" reporting errors, and strengthening tax governance.
- Group definition preference is to leverage an existing framework (often the GST group model) rather than create a new definition; income tax consolidation thresholds have different trade-offs.
- Participation should be optional to preserve commercial flexibility and manage joint-and-several liability and setup cost concerns (especially for smaller groups).
- Integrity risks include threshold gaming, Reportable Fringe Benefits Amount (RFBA) manipulation, and exploiting differing GST credit/gross-up positions; safeguards suggested include employee-level testing, transparency of group members, and lock-in periods.
- Implementation would need clear ATO guidance, transitional safe-harbours, updated digital/Standard Business Reporting systems, and practical guidance on gross-up and RFBA attribution in grouped reporting.

2) Motor vehicles – work related travel (Q1–Q2)

- Key risk areas for mobile/remote employees include home-garaging (vehicle "available for private use") and the strict conditions for commercial vehicle exemptions (private use must be minor/infrequent).
- ATO safe-harbour style limits for commercial vehicles (e.g., annual private km limits/maximum single trip limits/small detours) not well known. Work from home highlights increased compliance scrutiny.

- Electric Vehicles/Plug-in Hybrid Electric Vehicle (EV/PHEV) changes add complexity (PHEV exemption ending for new commitments after 1 April; simplified home-charging calculation shortcut referenced).
- Substantiation remains challenging; telematics is increasingly used, with emphasis on recording journey purpose adequately.
- The work from home/remote work cohort has increased; key friction points include home-garaging audit focus, managing PHEV exemption changes, and "minor/infrequent" boundary creep for commercial vehicles.

3) FBT car parking (Q1–Q6)

- Car parking is high-effort/low-revenue compliance; substantial time can be spent even where the eventual liability is nil.
- Largest burden drivers include the 1km test complexity, the broadened "commercial parking station" definition, and the need to model multiple valuation methods to find the lowest taxable outcome.
- Hardest data to obtain includes the "lowest all-day rate" on day 1 of the FBT year, reliable employee attendance/duration evidence, maintaining 12-week registers, and obtaining market valuations.
- In practice, employers often "triangulate" methods per site (e.g., market value vs average cost for the rate; 12-week register vs statutory formula for days) to minimise taxable value.
- Method choice can change year-to-year as market rates and work patterns (hybrid) change and fleet/parking arrangements shift.
- Reducing the number of methods doesn't necessarily reduce burden (data collection is the real cost) and may increase tax outcomes; rollover mechanisms are noted as more effective red-tape reduction.

4) Meal entertainment (Q1–Q4)

- Main compliance cost is recipient attribution (tracking who attended and why), plus the annual choice between 50/50 and actual methods (simplicity versus tax efficiency).
- A major risk is ATO "deduction versus FBT" mismatches, increasing audit exposure when entertainment is deducted but not treated appropriately for FBT.
- Removing FBT on meal entertainment and instead making entertainment non-deductible would simplify compliance by eliminating detailed tracing, method modelling, and minor-benefit threshold tracking—while changing after-tax outcomes and GST credit treatment.
- For SMEs, the reform would generally deliver large administrative savings and higher certainty; transitional issues include accounting system re-coding, legacy employment arrangements, and education/change management, with integrity concerns noted particularly for not-for-profits.

Please refer to the Appendix for our detailed discussions on the response to the consultation questions.

If you have any queries, please contact Jenny Wong, Tax Policy Lead on jenny.wong@cpaaustralia.com.au or Bill Leung on bill.leung@cpaaustralia.com.au

Yours sincerely,

Jenny Wong
Tax Policy Lead

Appendix

Consultation questions

FBT Grouping

1. ***To what extent would FBT grouping reduce compliance costs or administrative burden for your organisation/client/segment of the population? If so, could the time saving be quantified?***

Grouping would address several "red tape" pain points that currently inflate the administrative burden:

- *Filing Volume:* For large corporate groups with dozens or even hundreds of employing subsidiaries, grouping would reduce the number of FBT returns from many to one. This directly eliminates the redundant effort of preparing, reviewing, and authorising multiple forms for the same economic group.
- *Inter-entity Transfers:* Currently, if one subsidiary provides a benefit to an employee of another subsidiary, it can trigger complex "arranger" rules. Grouping would treat the entire group as a single employer, effectively neutralising these internal friction points.
- *Centralised Record-keeping:* Organisations could move away from entity-specific ledger reconciliations toward a unified data collection system. This aligns FBT reporting with the reality of how modern Shared Service Centres (SSCs) and HR/Payroll systems operate.
- *Audit and Assurance:* Interacting with the Australian Taxation Office (ATO) on a single-group basis simplifies the "Justified Trust" review process, as the ATO would only need to audit one consolidated set of FBT workpapers rather than chasing data across disparate entities.

Quantifying the Time Savings

While the exact hours saved vary by organisation size, the potential for quantification is rooted in the following benchmarks identified by tax policy reviews:

Compliance Metric	Current State (Estimated)	Impact of FBT Grouping
Returns Lodged	1 per employing entity	1 per group
SME Compliance Cost	Estimated at $18 billion (aggregate across taxes)	Significant portion of FBT-specific "red tape" removed
FBT/Revenue Ratio	Highest compliance cost per dollar of revenue	Significant improvement in administrative efficiency
Large Corporate Effort	Hundreds of hours for multi-entity reviews	Estimated 40 to 60 per cent reduction in return preparation time

Quantification of savings for a specific organisation can typically be modelled by calculating the: Total Time per Entity (Data collection + Calculation + Review + Lodgment) and multiplying it by the number of entities. While data collection (e.g., logbooks and declarations) remains constant, the review and lodgment phases, which typically account for 30 to 50 per cent of the compliance cycle, would be drastically compressed through a single consolidated workflow.

2. ***Do you expect grouping to improve accuracy and consistency in FBT reporting for these organisations?***

Beyond the immediate reduction in administrative "heavy lifting," FBT grouping is widely expected to drive a measurable uplift in reporting quality and technical integrity. For large, multi-entity organisations, the current entity-by-entity requirement acts as a catalyst for data fragmentation and interpretive inconsistency.

Grouping would likely improve accuracy and consistency through four primary mechanisms:

a) **Neutralising "Arranger" Provision Errors**

One of the highest-risk areas in current FBT law is the "arranger" provisions (e.g., where a parent entity enters a contract for the benefit of a subsidiary's employees). These often lead to:

- *Double-counting:* Where both entities report the benefit out of caution.
- *Omissions:* Where each entity assumes the other is responsible for the lodgement. Grouping effectively "looks through" these internal arrangements, treating the economic group as a single unit and ensuring the benefit is captured once, correctly, at the group level.

b) Uniformity of Valuation Methodology

Within a non-grouped corporate structure, different subsidiaries often apply disparate valuation methods for identical benefits (e.g., some using the Statutory Formula for vehicles while others use Operating Cost).

- *Consistency:* Grouping encourages (and often necessitates) a single, group-wide policy on valuation methods and private-use declarations.
- *Simplified Auditing:* It allows for a single "source of truth" in workpapers, making it easier for tax managers to ensure that the $2,000 reporting threshold is applied consistently across the entire workforce.

c) Mitigating Entity Identification Risk

Corporate restructures, M&A activity, and internal secondments frequently result in employees being "lost" between payroll entities for FBT purposes.

A grouped return removes the risk of reporting benefits against the "wrong" ABN, a common administrative error that, while revenue-neutral for the tax office, often triggers unnecessary ATO correspondence and reconciliation work during "Justified Trust" reviews.

d) Alignment with Tax Governance Frameworks

The ATO's focus on Tax Governance (PCG 2016/5) emphasizes that "top-down" oversight is a hallmark of a low-risk taxpayer.

FBT grouping allows a group tax manager to exercise direct control over the data-scrubbing process and technical positions. This is significantly more accurate than relying on distributed HR or payroll staff across 20+ subsidiaries who may not have the same level of FBT-specific technical training.

Potential for Inaccuracy? The primary counter-argument is that grouping could lead to "aggregation bias," where minor benefits that might be exempt at an entity level (under the $300 minor/infrequent rule) are lumped together. However, most practitioners argue that the governance gains far outweigh this risk.

3. *What definition of a "group" would be most appropriate for FBT grouping (e.g., income tax consolidated group, ownership thresholds)?*

The definition of a "group" is critical for balancing administrative ease with the integrity of the tax system. There are two primary contenders for the most appropriate definition:

a) The GST Grouping Model (Technically Superior)

Many tax practitioners favour aligning FBT grouping with the existing GST Group framework (typically requiring a 90 per cent ownership threshold or common control).

- *Logic:* FBT and GST are technically coupled through the "higher" and "lower" gross-up rates. A benefit is "GST-creditable" (Type 1) if the employer is entitled to a GST credit.
- *Advantage:* If entities already form a GST group, they are treated as a single entity for GST credit purposes. Aligning FBT grouping eliminates the need to track inter-entity "provision" of benefits within the group and simplifies the calculation of the aggregate "GST-creditable" benefits.
- *Scope:* Unlike income tax consolidation, GST grouping is available to a wider range of entities, including trusts and partnerships, which are common in the mid-market and private group sectors.

b) The Income Tax Consolidation Model (Operationally Simples

This model would restrict grouping to Income Tax Consolidated Groups (requiring 100 per cent common ownership).

- *Logic:* It maps directly to the primary corporate tax identity. For large multinational or domestic corporate groups, the FBT "Head Employer" would simply be the Head Company of the consolidated group.
- *Advantage:* It requires no new "grouping" elections or tracking; if you are consolidated for income tax, you are grouped for FBT.
- *Disadvantage:* The 100 per cent threshold is highly restrictive. It would exclude many commercial groups that have minority interests or utilise trust structures that cannot consolidate for income tax, thereby limiting the "red tape" reduction to only the largest corporate players.

c) **Comparison of Ownership Thresholds**

Threshold	Model	Suitability for FBT
100%	Income Tax Consolidation	**High** for large corporates; **Low** for SMEs/Trusts.
90%	GST Grouping	**Optimal.** Aligns with technical GST-creditable rules and includes more entity types.
>50%	Payroll Tax (Control)	**Low.** Often seen as too broad, potentially grouping unrelated entities and increasing the risk of joint and several liability.

The preference is for a harmonised approach, with the goal being to avoid creating a "third" grouping definition.

While income tax consolidation is the "cleanest" for big business, the GST Group definition is generally seen as the most appropriate "general" definition because it captures the technical relationship between FBT and GST credits that drives much of the compliance burden.

Note: Any grouping provision would likely include joint and several liability for the group's FBT debt, mirroring the GST and Income Tax consolidation regimes. This makes the choice of threshold (90 per cent versus 100 per cent) a significant commercial consideration for groups with external investors.

4. *Should participation in FBT grouping be optional or mandatory for eligible groups? Why?*

FBT grouping should be optional (elective) rather than mandatory.

This "Choice-Based" model is preferred for several strategic and administrative reasons:

a) Preservation of Commercial Flexibility

Different corporate entities often maintain high levels of operational autonomy. Making grouping optional allows organisations to decide whether consolidation fits their internal structure.

- *Segmented Reporting*: Some groups prefer to keep FBT costs siloed within specific business units or subsidiaries for precise internal profit-and-loss (P&L) tracking and accountability.
- *Joint Ventures*: Mandatory grouping could complicate arrangements where a subsidiary has minority external investors who may not want their tax liability comingled with the wider group's activities.

b) Joint and Several Liability Risks

A core feature of tax grouping (similar to GST grouping or Income Tax Consolidation) is that all members become jointly and severally liable for the group's total tax debt.

Forcing an entity into a group where it takes on the legal risk for the FBT debts of other (potentially riskier or less solvent) entities is seen as an overreach. An elective model ensures that all participants have formally consented to the shared liability.

c) Cost-Benefit Divergence (SMEs versus Corporates)

For a large multinational, the administrative saving multiple returns to one is significant. However, for a small private group with two or three entities, the "setup" costs of forming a group, including legal reviews of grouping agreements and aligning internal reporting systems, might exceed the savings from filing fewer returns. An optional regime ensures that only those who stand to gain from the efficiency incur the transition costs.

d) Alignment with the "Choice" Principle in Australian Tax

The Australian tax system historically favours elective grouping regimes:

- Income Tax Consolidation is a choice (though once made, it is generally irrevocable).
- GST Grouping is a choice.

Advocates argue that adding a mandatory FBT grouping requirement would create a "policy outlier" that complicates the decision-making process for CFOs and tax managers.

Summary Comparison

Approach	Advantages	Disadvantages
Optional (Preferred)	Maximises flexibility; protects minority interests; avoids unnecessary setup costs for small groups.	Slightly more complex for the ATO to track who is in/out of a group year-to-year.

Approach	Advantages	Disadvantages
Mandatory	Maximum administrative uniformity for the ATO; forces "red tape" reduction.	Potential legal issues with shared liability; high transition burden for groups that prefer entity-level reporting.

Practical Note: Most technical submissions suggest that once an election to group is made, it should remain in place for a minimum period (e.g., three years) to prevent "tactical grouping" where entities jump in and out of groups based on year-to-year benefit fluctuations.

5. ***Are there any integrity risks that could arise from allowing FBT grouping (e.g., shifting benefits between entities)?***

Allowing FBT grouping does introduce several integrity risks that the Australian Taxation Office (ATO) and policy advisors consider when evaluating these reforms. While grouping is primarily aimed at efficiency, it could inadvertently create opportunities for "tactical" reporting or benefit shifting.

The primary integrity risks include:

a) Artificial "Averaging" of Benefit Values

Under an elective grouping model, organisations might strategically move employees between entities to manipulate the $300 Minor Benefit Exemption.

The Risk: In a non-grouped environment, the $300 threshold is applied per employer. If grouping were implemented, there is a risk that "lumpy" benefits (provided across several entities) could be averaged out or re-characterised at the group level to fall under the exemption threshold, even if they would have been taxable at the individual entity level.

b) Manipulation of Reportable Fringe Benefits Amount (RFBA)

If grouping allows for a more "flexible" view of who the employer is, there is a risk of inconsistent reporting of Reportable Fringe Benefits Amounts (RFBA) on employee income statements.

The Risk: Since RFBA is used to determine a range of government entitlements and obligations (e.g., HECS/HELP repayments, Child Support, Medicare Levy Surcharge), any shifting of benefits between entities that results in under-reporting of an individual's total benefits package would compromise the integrity of the broader social security and tax system.

c) Exploiting Different Gross-Up Rates

FBT utilises two different gross-up rates depending on whether the employer can claim a GST credit (Type 1 versus Type 2).

The Risk: Entities within a group might have different GST statuses (e.g., some performing input-taxed financial services, others performing taxable supplies). Grouping could theoretically allow a group to "shift" the reporting of a benefit to an entity with a more favourable gross-up profile or a higher GST-credit entitlement, potentially reducing the total FBT payable without a change in the underlying benefit provided.

d) Dilution of "Justified Trust" and Oversight

The ATO currently utilises data-matching at the ABN level to cross-reference motor vehicle registrations and payroll data.

The Risk: Moving to a single group return could "mask" high-risk activity within a specific subsidiary. If the group return presents an overall "low-risk" profile, an aggressive or non-compliant business unit hidden within the group might evade the automated risk triggers that would normally flag an individual entity for audit.

5. Joint and Several Liability Complications

While not a "tax avoidance" risk, grouping introduces a collection risk for the revenue.

The Risk: If a group consolidates its FBT and the head entity becomes insolvent, the ATO must pursue other members. In complex groups with diverse ownership (including minority JV partners), determining the "fair share" of the tax debt can lead to protracted legal disputes, potentially delaying the collection of the revenue.

Comparison of Integrity Safeguards

To counter these risks, most technical proposals suggest specific safeguards:

Integrity Risk	Proposed Safeguard
Benefit Shifting	Requirement that the benefit must still be "in respect of employment" with the specific entity performing the work.
Threshold Gaming	Maintaining the requirement that the $300 "Minor/Infrequent" test be applied at the employee level, regardless of grouping.
Loss of Transparency	Mandatory disclosure of the member entities (ABNs) included in the group return to maintain data-matching capabilities.
Tactical Grouping	"Lock-in" periods (e.g., 3 years) to prevent groups from electing in/out of grouping to suit annual benefit cycles.

6. *What guidance or support would be needed to assist with implementation?*

Implementing FBT grouping would represent a major shift in reporting mechanics. To ensure a smooth transition, support would be needed across legislative, administrative, and technological domains.

Drawing from the ATO's "Justified Trust" principles, the following guidance and support measures would be essential:

a) Clear Administrative Guidance (The "Grouping Rulebook")

The ATO would need to issue a dedicated Practical Compliance Guideline (PCG) or a new chapter in its publication *Fringe Benefits Tax – a guide for employers* covering:

- *Election Procedures*: Clear instructions on how to "elect in," including deadlines and "lock-in" periods (e.g., whether a group is committed for three years to prevent tactical entry/exit).
- *Joint and Several Liability*: Explicit guidance on how liability is shared among members and the process for "clearing" an entity's liability if it leaves the group (similar to GST "Exit Agreements").
- *Nominated Head Entity:* Rules on which entity can be the "FBT Head" and the process for changing this entity during corporate restructures.

b) Transition and "Safe Harbour" Provisions

To encourage adoption without fear of accidental non-compliance, the government could provide:

- *Transitional Relief*: A "no-penalty" period for administrative errors during the first one to two years of grouping, provided the taxpayer has made a good-faith effort to report accurately.
- *Simplified Record-Keeping:* Guidance on how to consolidate diverse record-keeping systems (e.g., merging logbook data from different subsidiaries) without breaching existing evidence requirements.

c) Updated Digital Infrastructure

The implementation success hinges on the functionality of the Online Services for Business and Standard Business Reporting SBR-enabled software:

- *Single Lodgment Interface*: The ATO's digital portals would need to allow a single return to "link" to multiple ABNs, ensuring data-matching (such as car registrations) still functions across the group.
- *Software Integration*: Early release of Electronic Reporting Specifications for software developers (Xero, MYOB, SAP, etc.) to ensure that payroll and FBT modules can aggregate data across multiple legal entities into one consolidated export.

d) Technical Guidance on Specific "Overlap" Scenarios

Support would be required for complex technical intersections:

- *Gross-up Alignment*: Specific examples of how to calculate the Type 1 (GST-creditable) versus Type 2 gross-up when some group members are "input-taxed" (like financial services) and others are not.
- *Reportable Fringe Benefits Amount (RFBA):* Clear instructions on how to ensure benefits are still attributed to the correct individual's annual income statement even when filed under a group ABN, to protect the integrity of HECS/HELP and social security data.

e) Stakeholder Education and Workshops

ATO should roll out the following education and support:

- Roadshows and webinars
- Standardised templates.

Summary of Implementation Support Needs

Category	Requirement
Legal	A clear definition of "group" (ideally 90 per cent ownership to align with GST).
ATO	PCG outlining "Safe Harbours" and election mechanics.
Technology	SBR-enabled software that allows for entity-level data aggregation.
Corporate	Internal legal agreements to manage joint and several liability.

7. *Are there any unintended consequences the Board should consider before recommending FBT grouping?*

While FBT grouping is primarily seen as a deregulatory "win," there are several unintended consequences that the Board of Taxation must weigh to ensure the reform doesn't create new complexities or revenue leakage.

1. The "State Tax" Disconnect

One of the most significant risks is the potential divergence between Federal FBT reporting and State-based Payroll Tax and WorkCover premiums.

- *The Issue*: State revenue authorities currently rely on entity-specific FBT data to verify the "fringe benefit" component of payroll tax.
- *Consequence:* If an organisation moves to a single federal FBT return, it may still be required to perform shadow "entity-level" calculations to satisfy payroll tax obligations. Without federal-state harmonisation, grouping could inadvertently increase the total compliance burden by creating a mismatch between reporting systems.

2. Dilution of Internal Accountability

For large groups, FBT is often used as a tool for internal cost centre management.

- *The Issue:* When tax is paid at the group level, the "cost" of providing a benefit (like a company car) may become invisible to the specific business unit manager who authorised it.
- *Consequence:* This could lead to "benefit creep," where internal budget discipline on non-cash remuneration erodes because the tax friction is no longer directly felt by the individual subsidiary's Profit and Loss statement.

3. Complexity in M&A and "De-grouping"

The administrative ease of grouping can quickly turn into a legal bottleneck during corporate divestments.

- *The Issue*: When a subsidiary is sold out of a group, it carries with it "joint and several liability" for the group's historical FBT debts.
- *Consequence*: M&A transactions would require complex Tax Sharing Agreements (TSA) and Tax Funding Agreements (TFA) specifically for FBT. Small and medium enterprises (SMEs) that are not used to this level of legal architecture may find themselves exposed to the unpaid FBT of their former parent entities.

4. "The Average" versus "The Individual" Risk

Integrity rules like the $300 Minor Benefit Exemption are highly sensitive to how an "employer" is defined.

- *The Issue*: If grouping allows for a "blended" view of benefits, the ATO may lose the ability to track whether a specific employee is receiving multiple "minor" benefits from different subsidiaries that, in aggregate, should be taxable.
- *Consequence:* This could lead to a revenue loss or, conversely, a more aggressive ATO audit stance on group-wide benefit policies to compensate for the loss of entity-level visibility.

5. Interaction with Public Benevolent Institutions (PBI)

Many groups contain a mix of commercial entities and entities with FBT-exempt or rebatable status (such as a corporate foundation or a PBI).

- *The Issue*: Grouping a commercial entity with an exempt PBI entity is technically fraught with danger.

- *Consequence*: If not carefully ring-fenced, grouping could lead to "benefit-shifting" where commercial employees are technically seconded to the exempt entity to access higher FBT-free thresholds. The Board would likely need to exclude "Status-Based" entities from general grouping to protect this integrity pillar.

Summary of Risks for the Board's Consideration

Potential Consequence	Impact Level	Primary Stakeholder
State Tax Mismatch	High	Payroll Tax Compliance Teams
Joint & Several Liability	Medium	M&A Legal/Advisory
Internal Governance	Medium	CFOs / Business Unit Managers
PBI Integrity	High	ATO / Not-for-Profit Sector

Motor vehicles – work related travel

a) What is your experience with the FBT issues where cars are utilised by employees that perform mobile/remote duties?

Dealing with cars for employees in mobile or remote roles is one of the most high-risk areas in Australian tax, primarily because the ATO has significantly intensified its focus on the "misreporting of private use" for the 2025–26 FBT year.

Based on current technical standards and recent ATO compliance shifts, here are the critical issues specifically impacting remote and mobile workforces:

a) The "Garaging" Trap for Remote Workers

For remote employees, their motor vehicle (MV) is almost always garaged at their residence. Under the *FBT Assessment Act*, a vehicle is deemed available for private use if it is garaged at or near the employee's home.

- *The Conflict*: Even if the employee is "on-call" or the car is strictly for visiting remote sites, the mere fact it is at their house triggers a fringe benefit unless a specific exemption applies.
- *Mobile Worksite Exception*: Travel between a home and a "non-primary" worksite (e.g., a technician going directly to a client site) is often business travel. However, the ATO may scrutinise whether the employee's home has technically become a "place of employment."

b) Commercial Vehicle Exemption (The "1-Tonne" Rule)

Many mobile workers use utes or dual-cabs. There is a common misconception that these are "automatically exempt."

- The Reality: To be exempt under Section 8(2), the vehicle must be a "commercial" vehicle (like a ute or van) **AND** private use must be limited to work-related travel and "minor, infrequent, and irregular" private use.
- *PCG 2018/3 Safe Harbour*: The ATO provides a "safe harbour" where they will not audit the exemption if:
    - The vehicle is not part of a salary package.
    - Private travel is strictly limited (e.g., no more than 1,000km total per year for private purposes, and no single return journey exceeding 200km).

- Diversions between home and work are less than 2km.

c) The 2026 Focus: Electric Vehicles (EVs) and PHEVs

If the remote MV fleet is transitioning to low-emission vehicles, the rules changed significantly on 1 April 2025:

- *PHEVs*: Plug-in Hybrids are no longer exempt from FBT for new commitments made after 1 April 2025. This may be a challenge for organisations that recently added hybrids to their remote fleets.
- *EV Home Charging*: For remote workers charging at home, the ATO now allows a 4.20c per km shortcut method to calculate the "electricity cost" as an employee contribution or to reduce the taxable value.

d) Substantiation for Remote Operations

Mobile workers are notoriously difficult to manage regarding paper logbooks.

- *The Shift to Telematics*: Most organisations with remote teams are moving to GPS/Telematics. The ATO accepts electronic logs, provided they capture the purpose of the journey in sufficient detail. "Business use" is not enough; it must specify the client or site visited.
- Pooled Cars: For remote depots, "pooled" cars are exempt from Reporting Fringe Benefits Amount (RFBA) on the employee's payment summary, but the *employer* still pays the FBT. This is often a preferred way to avoid HR friction in remote teams.

e) "Otherwise Deductible" Rule for Remote Sites

If an employee is required to travel to a remote location and stay overnight, the "otherwise deductible" rule often applies. This means the car benefit's taxable value is reduced to nil because the employee could have claimed the travel as a deduction personally. However, this requires a Travel Diary if the travel is for six or more consecutive nights.

Summary of Compliance Checklist for Mobile Fleets

Risk Area	Requirement / Strategy
Home Garaging	Must have a written policy prohibiting private use (except home-to-work).
Utes/Dual Cabs	Check the **Gross Vehicle Weight minus Kerb Weight**. If it's <1,000kg, it may not be a "commercial" vehicle.
Logbooks	Use the **Operating Cost Method** for high-business-use remote cars to minimise tax.
Electric Cars	Full FBT exemption still applies to pure EVs, i.e. Battery EVs (BEVs) under the Luxury Car Tax threshold ($89,332).

b) Has this cohort of employees increased in recent times (including post COVID) and what is your experience with the compliance issues in managing the FBT issues for these employees?

Yes, this cohort has seen a permanent upward shift. According to **ABS data for 2025–2026**, roughly 36 per cent of all employed Australians now perform some work from home or in a remote capacity—

a figure that has remained high even as the immediate post-COVID "volatility" subsided into a "new normal."

While the general workforce grew by 1.8 per cent in the year to February 2026, the specific segment of "hybrid" or "mobile" workers has shifted from a temporary pandemic response to a permanent structural feature of the economy.

Compliance Challenges in the Current Climate

Managing FBT for this group has become significantly more complex. Based on experience and the ATO's 2026 enforcement priorities, the three main friction points are:

a) The "Home Garaging" Audit Trap

Post-COVID, many employees who previously worked at an office now garage their vehicles at home. Under the *FBT Assessment Act*, a vehicle is deemed available for private use if it is garaged at an employee's residence.

- *The Conflict:* Many employers incorrectly assume that if the employee is "on-call" or "technically at work" from their home office, the home-to-site travel is business use.
- *ATO Stance:* The ATO has explicitly flagged "home garaging" as a key focus area for 2026, using data-matching from state motor vehicle registries to target businesses that register vehicles but fail to lodge FBT returns.

2. The Sunset of the "PHEV" Exemption (April 2025)

A major compliance headache for mobile fleets right now is the Plug-in Hybrid (PHEV) sunset rule.

- *The Rule:* As of 1 April 2025, PHEVs are no longer FBT-exempt unless they were part of a "financially binding commitment" made before that date.
- *The Issue:* Many organisations have not updated their fleet tracking, leading to accidental non-compliance. While pure Battery Electric Vehicles (BEVs) remain exempt, the administrative burden of distinguishing between the two—and managing the "home charging" electricity rate (currently 4.2 cents per km) for remote workers—is substantial.

3. "Minor and Infrequent" Boundary Creep

For mobile workers using utes or vans, the Section 8(2) exemption is often claimed.

- *The Reality:* The ATO's PCG 2018/3 safe harbour is very narrow (e.g., no single private trip over 200km and no more than 1,000km of private use per year).
- *The Challenge:* With more employees using work vehicles for weekend "school runs" or lifestyle activities in remote areas, many fleets are technically failing the "minor and infrequent" test. Managing this requires rigid telematics or "odometer photo" policies at year-end (31 March).

Summary of Managing the Burden

Challenge	Mitigation Strategy
Garaging Data	Moving from paper logbooks to Telematics (GPS) to prove work-related stops.
PHEV Transition	Auditing fleet lists to identify vehicles that lost their exemption on April 1, 2025.
Home Charging	Applying the **ATO shortcut method** (4.2c/km) to avoid complex electricity bill tracking.
Policy Gap	Implementing "No Private Use" declarations that explicitly prohibit travel beyond home-to-work.

FBT car parking

1. *How much time and cost is typically spent preparing FBT calculations for car parking? Which aspects of car parking FBT create the largest compliance burden? Which data requirements are the most difficult to obtain?*

Calculating car parking FBT is widely regarded by tax practitioners as one of the most disproportionately burdensome tasks in the Australian tax system. For many organisations, the administrative cost of identifying and valuing the benefit often exceeds the actual tax liability.

a) Estimated Time and Cost spent

While specific "per-company" dollar figures vary, employers have historically categorised car parking as a "high-effort, low-revenue" tax.

- *Large Organisations:* For a group with multiple CBD and suburban sites, the compliance cycle (data collection to lodgment) can take 40 to 80+ hours annually.
- *Cost of Outsourcing:* Many firms pay between $3,000 and $10,000 per year just for "Market Valuation" reports or specialised geospatial "1km tests" to prove they *don't* have a liability.
- The "Nil Return" Burden: A significant portion of this time is spent by organisations that ultimately owe $0, but must document their "1km radius test" annually to defend their position during an ATO "Justified Trust" review.

b) Aspects Creating the Largest Compliance Burden

The complexity stems from three main technical "friction points":

- **The 1km Radius Test (Geospatial Complexity):**

You must identify if a commercial parking station within 1km of your premises charges more than the daily threshold ($11.03 for the 2026 FBT year). The "1km" is measured by the shortest practicable *walking* route, not a straight line, which often requires manual mapping or specialised software.

- **The "Commercial Parking Station" Definition:**

Following the ATO's expanded view in TR 2021/2, many non-traditional sites (like shopping centres, hospitals, or "penalty-rate" commuter car parks) now qualify as commercial stations. Re-assessing these every 1 April is a major administrative hurdle for retailers and suburban offices.

- **Methodology Selection:**

Employers must choose between the Commercial Cost, Market Value, or Average Cost methods. Often, to minimise the tax, an employer must calculate all three for every site to find the lowest taxable value, tripling the calculation work.

c) Most Difficult Data Requirements

The "data gaps" that usually cause the most stress for tax managers include:

Data Requirement	Why it is Difficult to Obtain
"Lowest All-Day Rate"	You must find the *lowest* fee charged by a commercial station on the *first day* of the FBT year. If you miss recording this on 1 April, finding historical data for a specific, obscure car park can be nearly impossible.
Employee Attendance	To calculate the "Actual" or "Statutory" method, you need to know exactly which employees parked for more than 4 hours between 7 am and 7 pm. Standard gate-swipe data often doesn't track *duration* or distinguish between employees and visitors.
Logbook/Registers	If using the 12-week register method, maintaining 100 per cent accuracy for 3 months (once every 5 years) is difficult in a "hybrid work" environment where parking patterns are no longer consistent.
Market Valuations	If a commercial station exists but is vastly more expensive than the "market rate," you must hire an independent valuer. Coordinating these site visits and ensuring the reports meet ATO standards adds significant lead time.

2. *What approach does your company/client take to car parking calculations? How are the five methods used in practice?*

Most organisations view car parking FBT as a "data collection nightmare" where the administrative cost often outweighs the tax paid. In practice, the approach is rarely about using just one method; it is about triangulation, calculating multiple methods for each site to see which one "wins" by producing the lowest taxable value.

The five valuation methods are applied in practice as follows:

a) Commercial Parking Station Method

This is the "default" but most expensive method. It uses the actual lowest daily rate charged by a commercial parking station within a 1km radius on the day the benefit is provided.

Companies rarely use this for the final calculation because daily rates are volatile. However, it is the mandatory starting point for the "1km Test." If no commercial station within 1km charges above the threshold ($11.03 for 2026), the organisation can exit the FBT net entirely for that site.

b) Market Value Method

Employers hire an independent professional valuer to determine what an arm's-length person would pay for parking.

This is the preferred method for high-value CBD locations. If a nearby commercial station charges $80/day but the "market rate" for a block of unreserved staff spaces is actually $30/day, the savings far outweigh the $3,000–$5,000 cost of the valuation report.

c) Average Cost Method

This method takes the lowest daily rate at the start of the year and the lowest at the end of the year, then averages them.

This is the most common "mid-market" approach. It provides a level of certainty and avoids the need to track daily price fluctuations or hire expensive valuers. It is particularly popular for suburban sites where there might only be one or two commercial stations nearby.

d) Statutory Formula Method

This uses a formula: $Taxable Value = (Daily Rate times Availability Days / times Statutory Fraction) $.

This is rarely used in isolation for car parking today because it often overestimates the benefit compared to more granular methods. However, it is sometimes used as a "quick and dirty" check for very small satellite offices where the compliance time to find better data isn't worth the tax saving.

e) 12-Week Register Method

Similar to a car logbook, the employer keeps a detailed 12-week record of exactly which employees parked on which days, then extrapolates that over the full year.

This is the "Gold Standard" for organisations with hybrid workforces.

The Hybrid Advantage: If staff only come in 2 days a week, a 12-week register proves the "usage" is low, drastically reducing the total number of benefits provided compared to assuming a space is "available" every day.

The Burden: It is administratively painful to coordinate. Most organisations now use swipe-card data or parking apps to automate this "register" rather than manual sign-in sheets.

Comparison: Compliance Burden versus Tax Efficiency

Method	Compliance Burden	Tax Efficiency	Best Suited For...
Market Value	High (Cost of Valuer)	**Highest**	CBD Premium sites.
Average Cost	Medium	Medium	Suburban sites with stable parking.
12-Week Register	**Highest** (Data Tracking)	**High**	Hybrid/Flexible workforces.
Commercial Rate	Low	Lowest	Small groups where tax is negligible.

The Data Challenge:

The most difficult data point to obtain is often the "first-day rate" (1 April) for obscure commercial stations. If a tax manager forgets to take a screenshot of a nearby parking station's price board on 1 April, they often have to pay for specialised historical data reports to satisfy an ATO audit.

a.1 Do you calculate costs using each of the 5 calculation methods and pick the most favourable option?

To minimise the tax liability, it is standard practice for tax managers to model the "Big Three" methods - *Average Cost, Market Value, and 12-week Register*, and select the most favourable one for each specific site.

While there are technically five methods, they are often used in combination because the law separates the valuation of a single day from the calculation of how many days a benefit was provided.

The "Pick and Choose" Strategy in Practice

You are not restricted to one method for the entire organisation; you can use different methods for different locations. The "most favourable" choice usually follows this logic:

a) The "1km Test" (Mandatory First Step)

Before picking a method, you must find the lowest daily rate at a commercial parking station within 1km on both 1 April and the day the parking is provided.

If you find a rate under the threshold ($11.03 for 2026), you stop immediately. That site is exempt, and no calculation is needed.

b) Market Value versus Average Cost (Valuing the Day)

If you are in the FBT net, you choose how to value one day of parking:

- *Market Value:* Usually "wins" in CBDs in Sydney or Melbourne. If a commercial car park charges $80/day but an independent valuer determines a bulk-lease space is only worth $25/day, the cost of the valuer ($3,000 – $5,000) pays for itself in tax savings.

- *Average Cost:* Usually "wins" in suburban or regional areas where prices are stable. It's the "path of least resistance" because it only requires two data points (start and end of year) rather than a professional valuation.

c) 12-Week Register versus Statutory Formula (Counting the Days)

Once you have a daily value, you decide how many days to multiply it by:

- *12-Week Register:* This is the dominant choice for hybrid workforces in 2026. By proving employees only park 2 or 3 days a week, you can slash the taxable value by 40 to 60 per cent compared to the Statutory Formula.

- *Statutory Formula:* This assumes 228 days of parking per space. It only "wins" for sites where employees are physically present 5 days a week, every week, or where the data collection for a register is deemed too difficult.

How the Methods Interact

It is helpful to think of the methods as two different "levers" you can pull to lower the tax:

Step 1: Pick a Daily Rate	Step 2: Pick a Frequency Method
Commercial Station Method (Actual daily rates)	**Actual Method** (Record every single day)
Market Value Method (Independent valuer)	**12-Week Register Method** (Extrapolate from 3 months)
Average Cost Method (Avg. of 1 April & 31 March)	**Statutory Formula** (Fixed 228 days per space)

2.1 Does the chosen calculation method change year on year?

Yes, taxpayers can absolutely change their calculation method from year to year. The Fringe Benefits Tax Assessment Act allows employers to choose the method that results in the lowest taxable value for each specific FBT year.

In fact, "method hopping" is a key part of proactive FBT management. Because urban environments and working patterns change, a method that worked in 2025 might be "tax-heavy" in 2026.

Why Might a Taxpayer Switch Each Year

There are three common triggers for changing FBT calculation method between 1 April and 31 March:

- **Market Volatility (Switch to/from Average Cost):**

If a new "budget" commercial car park opens within 1km of your office halfway through the year, your "Average Cost" (which looks at the price on 1 April and 31 March) might drop significantly. If it doesn't, you might switch to a Market Valuation to capture a more favorable bulk-rate price.

- **Working Patterns (Switch to/from 12-Week Register):**

If your organisation moves from a "4-day in office" policy to a "2-day in office" hybrid model, switching to the 12-Week Register Method usually becomes the best option, as it allows you to pay tax only on the days cars are actually present, rather than a flat 228-day statutory assumption.

- **New Fleet Assets (EV Exemptions):**

With the PHEV exemption ending on 1 April 2025, many organisations are changing their calculation methods for those specific vehicles, often moving from "Exempt" to the Operating Cost (Logbook) Method to keep the taxable value as low as possible.

The "One Year" Rule

While you can change methods every year, you are bound by two strict consistency rules within a single year:

1. *Individual Car/Space Consistency***:** You cannot use the Statutory Formula for the first six months of the year and then switch to the Operating Cost method for the same car in the second half of that same year.

2. *Election Timing:* You must make your choice by the time you lodge your FBT return (usually 21 May, or 25 June if lodging via a tax agent). Once the return is lodged for that year, your "election" for that period is generally locked in.

Summary of Change Potential

Method	Can you change next year?	Why would you?
Statutory Formula	Yes	Switch if business use increases (move to Logbook).
Market Value	Yes	Switch if nearby commercial rates drop (move to Average Cost).
12-Week Register	Yes	Switch if staff return to the office full-time (move to Statutory).

3. *Would compliance burden be removed by reducing the number of calculation methods?*

The short answer is no, not necessarily**.** In fact, reducing the number of calculation methods could inadvertently increase the tax liability for many organisations, even if it simplifies the paperwork.

The "burden" in FBT is not just the number of methods, it's the conflict between administrative ease and tax minimisation.

1. The "Trade-Off" Problem

The current system allows you to choose the method that best fits your business model. If the government were to remove methods (for example, keeping only the Statutory Formula), the following would happen:

- *Simplicity Wins:* You would spend far less time on spreadsheets.
- *Tax Cost Rises:* You would lose the ability to use the 12-Week Register, which currently allows hybrid workplaces to pay 40 to 60 per cent less tax by proving spaces are empty half the week.
- *Accuracy Drops:* Forcing a "one-size-fits-all" approach would ignore the reality of how different businesses operate.

2. What Actually Drives the Burden?

The real burden comes from data collection, not the number of methods themselves. Even with only one method, you would still struggle with:

- *The 1km Radius Test:* You still have to prove whether a commercial car park exists nearby.
- *The 1 April Snapshot*: You still have to catch the "lowest daily rate" on a specific day.
- *Employee Tracking:* You still have to know who is using the benefit.

3. Alternative Solutions for "True" Relief

Instead of removing calculation methods, most reform advocates suggest three "cleaner" ways to remove the burden:

- **Safe Harbours (The "Exit" Strategy):**

Raising the small business exemption turnover (currently $50 million) or creating a "geographic safe harbour" (e.g., no FBT on parking outside specified high-density CBD zones) would remove thousands of businesses from the system entirely.

- **Alternative Record-Keeping:**

Allowing employers to use existing corporate data (like gate-swipe logs or parking apps) instead of specialised, legislative "FBT registers" or "travel diaries."

- **Alignment with Grouping:**

As we discussed earlier, allowing FBT grouping would be far more effective at removing burden than cutting methods, as it allows one set of calculations for 50 entities rather than repeating the same "1km test" 50 times.

Summary: Choice versus Complexity

Scenario	Compliance Burden	Tax Liability
Current (5 Methods)	**High** (Time-consuming)	**Lowest** (Optimised)
Simplified (1 Method)	**Low** (Simple)	**Higher** (No optimisation)
Reform (Grouping/Safe Harbours)	**Lowest** (Red tape cut)	**Fair** (Targeted)

The Verdict: Most tax managers would prefer to keep the multiple methods because the "tax insurance" they provide (the ability to pick the cheapest one) is worth the extra time spent in April.

4. *If so, to what extent would this reduction improve compliance burden and save costs? Where available please provide quantification of time and cost savings.*

The direct answer is that while reducing the number of calculation methods might seem like a shortcut to simplicity, we warn that it often acts as a "double-edged sword."

For most organisations, the reduction in time (compliance burden) is frequently offset by an increase in actual tax cost (tax liability), as the "optimal" method is often the one that is the most administratively complex to calculate.

1. Estimated Time & Cost Savings

- *Time Savings:* Large organisations with complex parking footprints (CBD and suburban) currently spend an average of 40 to 80 hours per year on car parking data collection and modelling. Reducing methods to a single "Statutory Formula" could save approximately 15–30 hours of administrative labour.
- *Administrative Cost Savings:* For businesses that outsource these calculations, simplifying the methods could reduce professional fees by $2,000 to $5,000 annually, primarily by eliminating the need for independent market valuations or complex 12-week register audits.
- *The "Net Loss" Risk:* In many cases, the "tax saving" found by using a more complex method (like the **12-week** *Register*) far exceeds the administrative cost. For an organisation with 50 parking spaces, switching from the 12-week Register to a mandatory Statutory Formula could increase the FBT bill by $30,000 to $50,000, easily wiping out any "savings" in preparation time.

2. Extent of Improvement in Compliance Burden

The "burden" is not evenly distributed. Reducing methods would impact different stakeholders differently:

Sector	Extent of Improvement	Why?
SMEs	**High Improvement**	Small businesses often lack the software to model multiple methods. A single method would provide much-needed "certainty."
Large Corporates	**Low Improvement**	These groups already have automated systems. Their burden is data quality (e.g., getting gate-swipe logs), which doesn't change regardless of the calculation method.
Hybrid Workforces	**Negative Impact**	If the 12-week Register were removed, these groups would pay tax on "empty" spaces, making the tax outcome fundamentally unfair.

3. The "True" Drivers of Cost (What simplification misses)

Reducing the number of methods fails to address the two most difficult data requirements that consume the most time:

- *The 1km Radius Test:* Regardless of how you calculate the tax, you still must spend time searching for a commercial car park within 1km that charges above the threshold ($11.03 for 2026).
- *The 1 April Snapshot:* Employers still face the "hidden cost" of needing to document a specific price point on a specific day, a requirement that leads to thousands of dollars in "historical data" fees if missed.

Summary Table: Impact of Reducing Methods

Metric	Current (5 Methods)	Simplified (1 Method)	Improvement / (Detriment)
Prep Time	~60 hours	~30 hours	**50% Time Saving**
Data Integrity	High (Actual use)	Low (Formula-based)	**Reduced Accuracy**
FBT Payable	Optimized (Lowest)	Standard (Highest)	**Cost Increase of 20–40%**
Audit Risk	High (Complex logs)	Low (Simple formula)	**Improved Certainty**

The Bottom Line: For most employers, the ability to "method hop" is their only defence against a tax that many consider "archaic." While they dislike the 60 hours of paperwork, they prefer it to a mandatory $50,000 tax increase.

5. *If the current five valuation methods were reduced, which methods should be retained and why? Would you be supportive of one default calculation method?*

Reducing the number of valuation methods for car parking FBT is a frequent topic in "red tape reduction" discussions. However, from a technical and commercial perspective, removing methods is often seen as a trade-off between administrative speed and tax fairness.

If the current suite of five methods were to be reduced, the following approach reflects the prevailing view:

1. Which methods should be retained?

To balance simplicity with accuracy, a "Streamlined Three" model is most frequently proposed:

- **The Average Cost Method (Retain as the Default):**

It is the most objective and balanced for suburban and regional sites. By averaging the lowest commercial rate on 1 April and 31 March, it smooths out seasonal price hikes and requires the least amount of "historical" data chasing.

- **The 12-Week Register Method (Retain for Flexibility):**

In 2026, this is non-negotiable for employers. It allows businesses to pay tax based on actual occupancy rather than a fixed assumption. Removing this would effectively levy a "ghost parking tax" on empty spaces during work-from-home days.

- **The Market Value Method (Retain for Fairness):**

It acts as a vital "safety valve" in CBD areas where commercial daily rates (which trigger the FBT) are often vastly higher than the actual market value of a bulk-leased, unreserved employee space.

2. Which methods should be removed?

The following are often seen as redundant or "high-risk" for errors:

- *The Commercial Parking Station Method (Actual):* Because it requires tracking the lowest rate on *every single day* a car is parked, almost no large employer uses this due to the extreme data burden.

- *The Statutory Formula (Car Parking):* Unlike the car statutory formula (which is very popular), the car parking version often produces a much higher tax bill than the other methods, making it the "choice of last resort."

3. Would we support one "Default" calculation method?

We would be supportive of the Default Method, but only if it functioned as an Optional Safe Harbour rather than a mandatory requirement.

The "Default" Proposal:

A default could be a Flat Daily Rate (e.g., set at the $11.03 threshold) multiplied by a Simplified Occupancy Rate (e.g., 60 per cent to reflect hybrid work).

Feature	Impact of a Single Default Method
Compliance Saving	**Very High.** Would eliminate the "1km Test" and the need for valuers.
Certainty	**Very High.** Removes the risk of ATO audit on "walking route" measurements.
Equity Risk	**High.** A single rate would be too high for regional areas and potentially too low for premium CBD spots, leading to revenue leakage or unfair over-taxation.

The most balanced path forward is not necessarily reducing the methods, but modernising the data requirements.

Instead of a "default calculation," support would be better directed toward:

- *Accepting Telematics/Swipe Data:* Allowing existing building security logs to satisfy the "12-week register" requirement without manual paperwork.
- *Automated 1km Tools:* An ATO-sanctioned digital tool where you enter your address and it tells you your 1km commercial rate status, removing the "geospatial dispute" entirely.

In summary: We would support a default method only as an alternative for SMEs who find the current system too complex to navigate. For larger organisations with specialised footprints, the ability to choose between Average, Market, and Register methods remains the only way to ensure the tax paid matches the economic reality of the benefit provided.

6. *If a rollover mechanism was available would this be a red tape reduction?*

A rollover mechanism, allowing an employer to "lock in" a valuation or usage rate for several years, is widely considered the "Holy Grail" of FBT red tape reduction. This mechanism would primarily address the most exhausting part of the process: the annual repetition of data collection for benefits that rarely change.

Here is how a rollover mechanism would practically reduce red tape and save costs:

1. The 12-Week Register Rollover (The "Set and Forget" Model)

Currently, a version of this already exists for the 12-week register method. If you keep a valid register, you can rely on that usage percentage for the current year and the following four FBT years (a 5-year total cycle).

- *Red Tape Reduction:* You skip the manual tracking of employee parking habits for 4 out of every 5 years.
- *The 2026 Context:* Many organisations are finding their pre-COVID registers are now "stale" because hybrid work has permanently lowered occupancy. A "rollover" only saves red tape if the underlying data remains accurate; otherwise, it becomes a "tax trap" where you pay based on old, higher office attendance.

2. Market Valuation Rollover

A significant reform proposal involves allowing Market Valuation Reports to be rolled over for 3 years.

- *Cost Savings:* An independent valuation for a CBD site typically costs $3,000 to $5,000. If you can use one report for three years, you immediately save $6,000 to $10,000 in professional fees over that cycle.
- *Red Tape Reduction:* It removes the annual "procurement hurdle" of hiring a valuer and the internal friction of coordinating site inspections every March.

3. The "1km Radius" Rollover

The most burdensome annual task is the "1km test", proving that a nearby commercial car park still charges above the threshold ($11.03 for 2026).

- *The Proposal:* If a site is determined to be "FBT-exempt" because no commercial stations exist within 1km, that status should be rolled over for 3 years unless a new car park is built.
- *The Impact:* This would eliminate the "Snapshot Anxiety" of needing to capture a screenshot of a competitor's pricing board exactly on 1 April every year.

Quantification of Savings (Estimated)

Activity	Current Annual Effort	With Rollover from FBT (3-Year Cycle)	Estimated Saving
Market Valuation	10 hrs + $4,000 fee	3.3 hrs + $1,333 fee	**66% cost/time reduction**
12-Week Register	40 hrs (Data scrubbing)	13.3 hrs (Annualized)	**~26 hours per year**
1km Test Mapping	5 hrs (Manual mapping)	1.6 hrs (Annualized)	**~3 hours per year**

4. Are there risks to a Rollover?

The main unintended consequence is **"**Inertia Bias". If a company rolls over a 2024 valuation into 2026, they might miss out on a tax reduction if market rates in their area have actually dropped.

A rollover should always be optional. It provides a "ceiling" on compliance work, but the employer should retain the right to "re-base" their data if they believe a new calculation would result in a lower tax bill.

The Verdict: A rollover mechanism is the single most effective way to move FBT from an "active" administrative burden to a "passive" monitoring task.

Meal Entertainment

1. What are the key compliance costs and administrative challenges you/your clients currently face under the FBT entertainment rules?

The FBT entertainment rules are frequently cited by tax professionals as a "classic example" of where the compliance effort far outweighs the revenue collected. In the 2025–2026 FBT year, businesses are facing heightened pressure as the ATO uses sophisticated data matching to spot "mismatches" between corporate tax deductions and FBT returns.

The key compliance costs and administrative challenges fall into three main categories:

1. The "Recipient Attribution" Burden

Under the Actual Method, every single meal must be forensically dissected.

- *The Challenge:* Businesses must identify who attended every lunch (employee, associate, or client). A simple restaurant receipt is insufficient; the ATO expects a contemporaneous list of names.
- *The Cost:* For a mid-sized firm, this involves hours of "data scrubbing" by the finance team, cross-referencing expense claims against calendars and CRM records to confirm if a guest was truly an external client (non-taxable) or an employee's spouse (taxable).

2. The "Method Selection" Trap (50/50 versus Actual)

Employers must choose between the 50/50 Split Method and the Actual Method, but each has a "hidden" cost.

- *50/50 Split Method***:** While administratively simpler (no attendee lists required), it is often tax inefficient. It disallows the Minor Benefit Exemption ($300 threshold) and the On-Premises Property Exemption. This means a company might pay FBT on 50 per cent of a $15 staff pizza lunch that would have been 100 per cent exempt under the Actual Method.

- *Actual Method:* The administrative overhead of tracking individual $20 meals to see if they stay under the $300 threshold throughout the year is massive.

3. The "Deduction Mismatch" Risk

The ATO's 2026 focus is the Income Tax versus FBT mismatch.

- *The Challenge:* Many businesses instinctively claim a 100% tax deduction for "Business Development" or "Staff Amenities" in their income tax return.
- *The Risk:* The ATO now uses data analytics to flag any company that claims a high entertainment deduction but has not lodged an FBT return. This creates a "certainty gap," where a small bookkeeping error in labeling a meal can trigger a full FBT audit.

Summary of Challenges

Challenge	Impact on Business
Forensic Record-Keeping	Finance teams spend days re-categorising "Food & Drink" expenses.
The "Pizza" Problem	High tax paid on low-value benefits because the cost of tracking them is higher than the tax itself.
Hybrid Work Friction	New challenges in determining if food delivery (UberEats) to an employee at home constitutes "entertainment" or "sustenance."
Audit Defence	Need to store 5 years of attendee lists just to prove a $200 lunch was with a client.

Quantifying the Burden

Practitioners estimate that for a typical Australian corporate, 30 to 50 per cent of the total FBT preparation time is spent solely on entertainment benefits, despite those benefits often making up less than 10 per cent of the total tax liability.

2. To what extent would removing FBT on entertainment benefits, or in particular meal entertainment, and making all entertainment expenditure non-deductible simplify compliance and improve certainty for your business?

For a business, this shift would represent a "Compliance-for-Tax" trade-off. While it would drastically simplify record-keeping, it could fundamentally change the after-tax cost of employee engagement and client hospitality.

1. Extent of Compliance Simplification

The current "Entertainment" rules are arguably the most labour-intensive part of FBT because they require a "forensic" analysis of every meal. Removing FBT would eliminate the three most difficult administrative tasks:

- **Eliminating the "Who, What, Where, Why" Analysis:**

Currently, under Taxation Ruling TR 97/17, you must analyse every meal: *Why* was it provided (sustenance or fun)? *Who* attended (employee, spouse, or client)? *Where* was it held? If FBT were removed and deductions simply denied, you would stop tracking "recipient headcounts" and simply flag the entire invoice as "Non-Deductible" in your accounting software.

- **Ending the "Method Selection" Modeling:**

Businesses would no longer need to calculate the 50/50 Split Method versus the Actual Method every year to see which is cheaper. The "50/50" method is a popular but "blind" simplification that often results in paying FBT on client meals, a cost that would vanish under a "non-deductible only" model.

- **Removal of "Minor Benefit" Tracking:**

You would no longer need to track whether a specific employee's meals stayed under the $300 threshold or whether they were "infrequent and irregular." This "threshold anxiety" often forces businesses to keep manual spreadsheets of every staff lunch.

2. Improvement in Certainty

The biggest gain in certainty would be the removal of ATO "Data Mismatch" audits.

- *Current Risk:* The ATO currently uses data-matching to find businesses that claim a 100 per cent tax deduction for "Travel & Meals" in their Income Tax Return but fail to lodge an FBT return. This creates a high audit risk for even small mistakes.
- *New Certainty:* If entertainment is simply non-deductible, the "mismatch" risk disappears. If you don't claim a deduction, the ATO has no reason to flag the transaction for FBT.

3. The Financial Impact (The "Cost" of Simplicity)

While compliance is easier, the after-tax cost of entertainment changes. Under current rules:

- *FBT & Deductible:* The after-tax cost of a $100 meal is roughly $136 (after gross-up, FBT, and tax deductions).
- *No FBT & Non-Deductible:* The after-tax cost of a $100 meal is exactly $100.

For most companies, making entertainment non-deductible is actually cheaper than paying FBT, even after losing the tax deduction. This is why many practitioners call it a "win-win" reform.

Summary of the Reform Impact

Feature	Current FBT System	Non-Deductible Model
Data Collection	Must track names, dates, and locations.	Simply tag invoice as "Non-Deductible."
Software Needs	Specialised FBT modules.	Standard General Ledger (GL) code.
Calculations	50/50 split or Actual method.	None.
Audit Risk	High (mismatch between ITR and FBT).	Nil (on these specific items).

Unintended Consequences for Business

While the compliance saving is significant, there is one major "losers" group: Not-for-Profits and Charities. These organisations are often exempt from income tax, so "denying a deduction" has no effect on them. If FBT were removed without a specific "replacement tax" for the NFP sector, they would effectively be able to provide unlimited tax-free entertainment, which the Treasury would likely view as a major integrity risk.

3. Would this impact your/client business financially or operationality (in particular behaviour or spending)

The move to a "Non-Deductible/No FBT" model would have a profound impact on an organisation, shifting the "cost of doing business" from administrative labour to a simpler, albeit slightly different, financial profile.

Based on current 2026 tax environment, here is how this would likely play out:

1. Financial Impact: The "136% versus 100%" Rule

From a purely financial standpoint, making entertainment non-deductible is often cheaper for a corporate entity than paying FBT.

- *The Current Cost (FBT):* For every $100 spent on a taxable staff lunch, the after-tax cost to your business is roughly $136 (once you account for the 47 per cent FBT rate, the gross-up, and the corporate tax deduction).
- *The Reform Cost (Non-Deductible):* If FBT is removed and the deduction is denied, the after-tax cost is exactly $100.
- Result: Most businesses would see an approximately 26 per cent reduction in the net cost of staff entertainment, even after losing the tax deduction. This creates a rare scenario where "simpler" is actually "cheaper."

2. Operational Impact: Behavioural Shifts

The removal of the "Minor Benefit" and "Actual Method" thresholds would significantly change how your team manages events:

- **The End of "Threshold Anxiety":**

Currently, staff often "budget to the tax limit," ensuring Christmas parties or gifts stay under $300 to avoid a 47 per cent tax hit. Removing FBT eliminates this "cliff." Managers would likely spend more freely on smaller, frequent engagement activities (like spontaneous team lunches) because they no longer have to fear a surprise tax bill if they accidentally cross a threshold.

- **Shift in Record-Keeping:**

Operationally, finance team would move from "Forensic Analysis" to "Simple Tagging".

- *Current:* "Who was at this lunch? Are they a spouse? How many times this year has this employee had a meal?"
- *New:* "Is this entertainment? Yes. Flag as non-deductible. Done."

This would free up significant senior finance time during the April/May FBT season.

3. Impact on Staff Engagement and "Return to Office"

In the 2026 hybrid work climate, many employers use meal entertainment as a tool to incentivise office attendance.

- *Simplification of "Sustenance":* Currently, there is a blurry line between "sustenance" (not taxable) and "entertainment" (taxable). For example, providing a sandwich is sustenance, but adding a beer makes it entertainment.
- *Behavioural Change:* If all food is simply non-deductible, the "fear" of providing social food disappears. You could provide Friday afternoon drinks or team dinners without the complex "TR 97/17" analysis of whether it was "fun" or "work."

4. Strategic Risks: The "NFP Gap"

There is a specific risk if your organisation has an associated Not-for-Profit (NFP) arm or foundation. Since NFPs don't pay income tax, "denying a deduction" means nothing to them.

Unless a specific "replacement" rule is created for the NFP sector, they could provide unlimited entertainment without any tax friction, creating a massive disparity in how the public and private sectors reward staff.

Summary of Impact

Metric	Current FBT Model	Non-Deductible Model
After-Tax Cost	~$136 per $100 spent	**$100 per $100 spent**
Finance Burden	~30-50% of FBT prep time	**Near Zero**
Manager Behaviour	Restrained by $300 "cliff"	Driven by budget, not tax rules
Compliance Certainty	Low (High ATO audit risk)	**Very High**

The Verdict: Operationally, this is a significant win for CFOs and Finance Managers who hate "scrubbing" expense data. Behaviourally, it allows People & Culture teams to be more agile in rewarding staff.

4. ***What would be the overall impact on small and medium business be, including any unintended consequences or transitional challenges?***

The overall impact of moving to a "Non-Deductible/No FBT" model would be a significant structural simplification for the SME sector, though it carries high-stakes consequences for specific industries and entities.

For most small to medium businesses, this is the "holy grail" of deregulation because it eliminates the most granular and error-prone area of tax compliance.

1. The "Compliance Dividend" for SMEs

SMEs typically lack the sophisticated expense management software used by large corporates. The shift would remove:

- *The "Forensic Accountant" Burden:* Small business owners or their bookkeepers would no longer need to analyse every $50 meal to see who attended and whether it was "fun" (entertainment) or "work" (sustenance).
- *Method Simplification:* SMEs would no longer have to choose between the Actual Method (record-keeping heavy) and the 50/50 Method (tax-heavy). They would simply treat all entertainment as a "Black Hole" for tax—no FBT, no deduction, no GST credits.
- **End of Threshold "Cliff-Hanging":** Businesses would no longer have to carefully price Christmas parties at $299.99 to avoid a 47 per cent tax hit. The focus shifts back to the business budget rather than tax boundaries.

2. Unintended Consequences

While simplified, the model creates "winners and losers" based on organisational structure and industry:

- *The "Hospitality Gap":* For small businesses in the hospitality or events sector, this change could act as a disincentive for corporate spending. If the after-tax cost of a client lunch effectively increases for some (who previously leveraged the FBT-free client component), hospitality venues might see a reduction in mid-week corporate bookings.
- *The Not-for-Profit (NFP) Crisis:* This is the most significant risk. Since NFPs (Charities, PBIs) do not pay income tax, "denying a deduction" is not a penalty for them.

  Result: Without FBT, NFPs could provide unlimited meals and entertainment to staff without any tax cost, creating a massive "remuneration gap" that the Treasury would likely find unacceptable. A specific "replacement tax" or separate cap for NFPs would be required to maintain parity.

- *GST Credit Loss:* Many SMEs rely on claiming GST credits for staff meals. Under the non-deductible model, the loss of GST credits (which are only available if the expense is deductible or subject to FBT) would be an immediate cash-flow hit.

3. Transitional Challenges

The "Day 1" hurdles for an SME would be primarily technical:

- *Chart of Accounts Overhaul:* Every SME would need to reconfigure their accounting software (Xero, MYOB). They would also need a new "Non-Deductible Entertainment" tax code to ensure these costs don't accidentally flow into the Income Tax Return or BAS.
- *"Legacy" Contracts:* Some employment contracts specifically promise "FBT-free" benefits (like meal entertainment cards). Transitioning these employees to a new system without breaching industrial instruments or reducing take-home pay would be a sensitive HR task.
- *Education Gap:* The biggest challenge is the "Deductible is Good" mindset. Many business owners instinctively try to make everything deductible. Moving to a model where the *best* outcome is a non-deductible expense requires a significant mental and cultural shift for the SME community.

Summary: Impact Matrix for SMEs

Area	Impact Level	Result
Admin Time	**Major Saving**	Estimated 10–20 hours saved per year for a typical SME.
Tax Certainty	**Major Increase**	Eliminates the Number 1 reason for ATO "data mismatch" letters.
Cash Flow	**Minor Negative**	Loss of GST credits on staff meals.
HR Flexibility	**Positive**	Spontaneous team rewards no longer trigger tax audits.