Inland Revenue
Te Tari Taake

IR409
October 2024

# Fringe benefit tax guide

## A guide to working with FBT

# Introduction

This guide tells employers how fringe benefit tax (FBT) works and how to manage the FBT obligations.

## Introducing 'Audis on Anglesey'

Throughout this guide we'll be following 1 company, giving examples of options for working out FBT.

Audis on Anglesey Ltd has been operating for 15 years and has 2 shareholders, Allan and Karyn. The principal activity of the company is selling and servicing new and used Audi cars.

There are 15 employees. Here's a list of some of the employees' responsibilities within the company:

- Michael and Zac are the 2 new motor vehicle salespersons.
- Bailey is the used motor vehicle salesperson at a subsidiary yard owned by the company.
- Nicole is the administrative manager responsible for all tasks in the office.
- George is the service manager and is responsible for Mark, James and Flynn (mechanics), and Sarah (car groomer).

### Changes to note

There are changes to the alternate rate calculations for FBT returns:

- Quarter 4 FBT returns (IR420)
- Income year FBT returns (IR421)
- Annual year FBT returns (IR422).

The calculation changes also apply to final quarterly returns if you stop employing staff or stop providing fringe benefits in any of quarters 2, 3 or 4.

For more information on the calculation changes, go to Completing quarter 4, income or annual year full alternate rate calculations on page 34.

The information in this guide is based on current tax laws at the time of printing.

# Contents

# Part 1 - Fringe benefits overview

## Registering for FBT

You need to register for fringe benefit tax (FBT) when you start providing a fringe benefit. You can do this when you first register as an employer in myIR, or later when you start providing a fringe benefit to an employee.

If you're already providing fringe benefits but have not registered yet, you'll need to back date your registration to when you first started to provide a fringe benefit.

You may need to file returns for earlier periods and pay any outstanding FBT. You can register in myIR.

You can file your FBT returns online in myIR or send us paper returns. If you file in myIR:

- your personal details are already complete and other information is tailored to your situation, so you only complete sections relevant to you
- myIR will do most of the calculations for you, making it easier and more accurate
- you get a confirmation receipt as soon as you submit your return
- you can amend the return in myIR if you've made a mistake.

## Fringe benefits

Most benefits given to employees other than their salary or wages are fringe benefits.

There are 4 main groups of taxable fringe benefits:

- motor vehicles available for private use
- free, subsidised, or discounted goods and services
- low-interest loans
- employer contributions to sickness, accident or death benefit funds, superannuation schemes and specified insurance policies.

If these benefits are enjoyed or received by employees because of their employment, the benefits are liable for FBT. Employers pay tax on benefits provided to employees or shareholder-employees. You'll have to file an FBT return either quarterly or annually, depending on the election made, and make any payments due.

## Cash benefits

Cash benefits are treated as normal salary and wages, taxable in the employee's hands, and are not liable for FBT. Usually, you must deduct some form of tax (for example, PAYE) from any cash benefits. Any personal expenditure incurred by an employee but paid for by the employer is also a cash benefit. If an employee pays for an employer's expenditure and is reimbursed the same amount, there's no FBT liability.

## Benefits provided instead of a cash allowance

Employers can pay cash allowances to employees for work-related costs. FBT is not payable on any non-cash benefits provided by an employer in place of that allowance.

*Example*

Audis on Anglesey Ltd provides James and Flynn with tools for use at work rather than an equivalent cash allowance for the tools. If James and Flynn had purchased the tools, any cash reimbursement from Audis on Anglesey Ltd would not be taxable. So, the value of the tools is not subject to income tax or FBT.

If you're unsure whether an equivalent cash allowance is tax free, call us on 0800 377 772.

## FBT terms you'll need to know

A fringe benefit is a non-cash benefit provided to an employee or an associate of an employee. Most benefits given to employees other than their salary or wages are fringe benefits.

### Associated person

For FBT purposes an associated person is someone associated with the employer or the employee:

- within 2 degrees of blood relationship or 1 person is within 2 degrees of blood relationship to the other person's spouse, civil union partner, or de facto partner*
- by marriage, civil union, or de facto relationship
- in a business partnership
- by a shareholding interest.

The association rules are complex. It's important you seek professional advice if you think there's any possibility of an association applying to you.

* For example, 1 degree is your parent or child, and 2 degrees is your grandparent, grandchild, or sibling.

*Note*

Fringe benefits provided to an associate of an employee are to be taxed as though they were given to the employee, rather than the associate.

### Attributed fringe benefits

See page 31 for information on attributed benefits.

## Attributed income

Attributed income is income for services provided by a person, paid to an associated entity such as a trust or company. Although it is paid to the associated entity, under the attribution rule the net income (income after expenses) of the entity is treated as gross income of the person who provided the services.

The definition of cash remuneration for FBT purposes includes any amount of income attributed under the attribution rule.

The rule applies only in limited circumstances. For FBT purposes, when applying the alternate rate calculations to attributed benefits received from this entity, the cash remuneration includes the amount of any attributed income.

The rule for attributed income does not apply to income year filers (shareholder-employees) as the due date for this return is aligned with the end-of-year tax date of the employer, so all necessary income information is known by this date.

## Cash remuneration

For FBT purposes, cash remuneration is:

- salary or wages
- lump sum bonuses
- schedular payments
- income attributed under the attribution rules
- payments to a specified office holder.

These include amounts from a related employer such as a division or branch. Some special conditions apply if you're a major shareholder.

### Non-major shareholder-employee

Cash remuneration does not include cash allowances for work-related costs initially paid for by the employee and reimbursed by the employer. For example, tax-free allowances.

### Major shareholders

Interest and dividends received from the employer or related employer are included as cash remuneration.

## Employers and employees

The definitions of employers and employees are wider than usual for FBT purposes.

### Employers

Anyone who pays or is liable to pay salaries, wages, lump sums or schedular payments. The definition also includes some people who are connected with employers:

- all partners in a partnership that has employees
- the manager or principal officer of an unincorporated group
- trustees in an estate or trust
- anyone who has control of property, such as the Official Assignee, a company liquidator or the trustee of a deceased estate.

For FBT purposes it excludes an employer who only pays or is liable to pay:

- ACC payments
- payments to a working partner or owner
- a main benefit
- veteran's pension or NZ Superannuation
- Education and Training Act grant
- parental leave or preterm baby payment
- non-resident contractor, personal service rehabilitation or voluntary schedular payments.

### Employees

Anyone who receives or is entitled to receive salary, wages, lump sums or schedular payments. For FBT purposes, the definition also includes:

- most shareholder-employees
- associated persons (such as an employee's husband, wife or child)
- past earners
- future earners.

This means you may have to pay FBT for any benefits provided to these groups.

For FBT purposes, employee excludes:

- shareholders who are only formally occupying a role as non-executive directors or company secretaries
- partners who receive a salary from their partnership
- an employee who only receives or is entitled to receive:
  - ACC payments
  - payments to a working partner or owner
  - a main benefit
  - veteran's pension or NZ Superannuation
  - education and Training Act grant
  - parental leave or preterm baby payment
  - non-resident contractor, personal service rehabilitation or voluntary schedular payments.

### Non-resident employee

If remuneration is paid to a non-resident employee, the calculation of the amount of tax payable on the remuneration includes any tax credits as if the employee was a resident for FBT purposes.

## Fringe benefit-inclusive cash remuneration (FBICR)

This is the cash remuneration, less the tax calculated on it, plus the taxable value of all fringe benefits attributed to an employee in the year.

***Example***

| | |
|---|---|
| Employee's income | $78,333.00 |
| Less tax on employee's income | $16,072.40 |
| Net income | $62,260.60 |
| Plus total fringe benefits provided | $ 4,993.00 |
| Equals FBICR | $67,253.60 |

### Quarterly FBT return filers

All employers who file quarterly FBT returns have 2 options when paying FBT in quarters 1 to 3:

- 63.93% single rate, or
- 49.25% alternate rate.

If you elected and paid FBT using the alternate rate in any of quarters 1 to 3, you must complete the alternate rate calculation process in quarter 4.

If you elected and paid FBT using the single rate in quarters 1 to 3, you have the option of using either the single rate or the alternate rate calculation in quarter 4.

### Annual and income year filers

Employers who file annual or income year FBT returns have the option to pay FBT using either:

- the flat rate of 63.93%, or
- the alternate rate calculation.

### Alternate rate calculation process

There are 2 options available when calculating FBT using the alternate rate.

1. **Full alternate rate**

   If you use this option, you'll need separate calculations for each employee receiving attributed benefits. Non-attributed benefits are pooled and taxed at 49.25% (or 63.93% in the case of benefits provided to major shareholder-employees)

2. **Short form alternate rate**

   Under this option, a flat rate of 63.93% is applied to all attributed benefits. Non-attributed benefits are pooled and taxed at 49.25% (or 63.93% in the case of benefits provided to major shareholder-employees).

When deciding what rate to use you should consider your situation - see page 27.

## Pooled alternate rate

If you use this option, benefits will be classified as either attributed or non-attributed.

Attributed benefits are subject to a flat rate of either 49.25% or 63.93%, depending on the employee's pay and the value of benefits attributed to them. If an employee has received:

- $129,680 or less in net cash pay plus attributed benefits (all-inclusive pay) for the year, the rate of 49.25% applies.
- more than $129,680 the rate of 63.93% would apply.

If attributed benefits are taxed at the 49.25% rate for some employees and at the 63.93% rate for others, 2 pools for attributed benefits may be necessary.

The safe-harbour rule allows employers to pay FBT at the rate of 49.25% on attributed benefits for employees receiving cash pay of $160,000 or less if the benefits attributed to those employees are less than $13,400 annually per employee. Completing quarter 4 pooled alternate rate calculation (page 34) has more information

You should consider your situation when deciding what rate to use - see page 27.

## Major shareholder

A major shareholder is a person who owns, has the power or control over, or has the right to acquire, 10% or more of the ordinary shares or voting rights of a close company. A close company has 5 or fewer natural persons who hold 50% or more of the total voting or market value interest in the company.

If you think this may affect you and you want more information, call us on 0800 377 772.

## Non-attributed fringe benefits

Certain benefits do not have to be attributed to the particular employees who receive them. These benefits are:

- subsidised transport of a taxable value of less than $1,000 per employee per year. There's a special rule for this - see page 18
- employer contributions to superannuation, where ESCT (employer superannuation contribution tax) does not apply, and insurance funds of less than $1,000 per employee per year
- benefits from loans on life insurance policies. A special rule applies - see page 22
- benefits that cannot be attributed to particular employees (for example, pooled vehicles)
- benefits provided to ex-employees
- contributions to a sickness, accident or death fund of less than $1,000 per employee per year
- any other benefit with a taxable value of less than $2,000 per employee per year.

## Pooled benefits

A pooled benefit is a non-attributed benefit no 1 employee has principally used or enjoyed during the quarter or relevant period of the income year.

## Shareholder-employees

A shareholder-employee is a shareholder and an employee of a company with no more than 25 shareholders. Any benefit they receive as an employee is a fringe benefit and FBT is payable. If you employ shareholder-employees, you may not have all the cash remuneration details for these employees to calculate the fringe benefit-inclusive cash remuneration. For example, the shareholder-employee's salary and wages, where PAYE has not been deducted, may not be available because this information is aligned with the income tax filing process.

# Part 2 - Returning FBT

All employers and businesses who provide fringe benefits must file regular FBT returns.

## FBT return forms

There are 3 types of FBT returns: quarterly (IR420), income year (IR421) and annual (IR422).

You can file your FBT return in myIR or file paper returns. If you choose paper filing, we'll automatically send you a return before the due date for filing.

You are required to file FBT returns quarterly unless you meet the criteria to file yearly returns (an election to file annual or income year returns is required).

### Fringe benefit tax quarterly return - IR420

The return periods and due dates for quarterly returns and payments are:

| Quarters | Return period | Due date |
|---|---|---|
| 1 | 1 April to 30 June | 20 July |
| 2 | 1 July to 30 September | 20 October |
| 3 | 1 October to 31 December | 20 January |
| 4 | 1 January to 31 March | 31 May |

### Fringe benefit tax income year return - IR421

This return is for companies with shareholder-employees. It covers the same period as the company's accounting year. The due date for filing the return is the same as that for paying end-of-year income tax.

You can file an income year return if:

- you are a close company and your annual gross PAYE and ESCT deductions for the previous year are no more than $1,000,000, or
- you only provide motor vehicles for private use to shareholder-employees and the benefit is limited to 2 vehicles, or
- you were not an employer in the previous year.

### Fringe benefit tax annual return - IR422

This return is for employers who have elected to file annual returns for the year to 31 March. The return is due on 31 May.

You can file an annual return if your annual gross PAYE and ESCT deductions for the previous year were no more than $1,000,000 or you did not employ any employees in the previous year.

***Note***

You can change your filing frequency in myIR or by calling us on 0800 377 772.

## Due dates for elections

There are set dates you must meet to elect to file yearly returns. The dates depend on the type of return you want to file, and whether you're a current or new employer. Your election must be made by the due date as we do not accept late elections. If your election is late, we'll notify you. You'll have to continue filing quarterly returns until the following financial or income year.

### Annual returns

If you're a current employer, you must make your election by 30 June in the year it applies to. For example, if you want to file your 1st annual return for the year ended 31 March 2025, you must make an election by 30 June 2024.

New employers must elect by the last day of the 1st quarter after starting to employ. For example, if you start employing on 31 October 2024, you have to make an election by 31 December 2024 to file your 1st annual return to 31 March 2025.

### Income year returns

Existing companies with shareholder-employees can elect to file income year returns by the last day of the 1st FBT quarter in the income year it applies to. For example, a company with a 30 September balance date would have to elect by 31 December 2024 to file a return for the year ending 30 September 2025.

A new employer company must elect by the last day of the 1st quarter they started employing in, within the income year the election applies to. For example, a company with a 30 June balance date starts employing on 31 July 2024. The company must make an election by 30 September 2024 to file the 1st income year return for the year ending 30 June 2025.

# Change in status

If your situation changes in any of the following ways, you need to let us know.

## You start providing fringe benefits

If you have started or are starting to provide fringe benefits and have not registered for FBT. You can register in myIR.

From your myIR homepage, in the 'I want to ...' section under 'Registration, application and enrolment', select 'Register for new tax accounts'.

## You stop providing fringe benefits but continue to employ staff

If you file quarterly returns and provided fringe benefits in quarters 1, 2 or 3, you're required to continue filing quarterly returns up to, and including, the quarter 4. When you've completed your quarter 4 return you can:

- Paper returns - write 'final return' next to the circles where you're asked to indicate if the return is for quarter 4 on the IR420, or
- in myIR, or
- call us on 0800 377 772 and let us know you're no longer provide fringe benefits.

## You stop employing staff and providing fringe benefits

You'll need to file a final FBT return to cover the period up to the date you stopped employing - see page 30.

You might stop employing but still provide benefits to past employees or shareholder-employees. In this case, you must file FBT returns until you stop providing benefits. The same rules apply if you cease business but still provide benefits - you must file FBT returns until you stop providing benefits.

For low-interest loans you must file returns until the total loan is repaid.

**Note**

The fringe benefit tax election will tell us:

- the filing frequency you want to start using, or
- you are changing the benefits you provide employees and do not need to file fringe benefit tax returns any more.

## Deregistering a charity

A deregistered charity is no longer eligible for the FBT exemption. FBT rules apply from the date of deregistration.

A charity voluntarily wound-up loses their FBT exemption from the date it's removed from the charities register and FBT is applicable for the return period from this date.

A charity failing to comply with their constitution loses their FBT exemption from the date of non-compliance and FBT is applicable for the return period from this date.

# Part 3 - Motor vehicles

In this part we explain when motor vehicle fringe benefits arise. We also show how to complete the FBT taxable value calculation sheet that comes with your FBT return and tell you what records to keep for motor vehicles.

You have to pay fringe benefit tax (FBT) if your business makes a vehicle available for employees, their associated persons and shareholder-employees to use privately – even if they do not actually use it.

For a fringe benefit to arise the person who makes the vehicle available to the employee does not have to be the employer. The person can be someone who:

- owns the vehicle
- leases or rents the vehicle
- has the right to use the vehicle under an agreement or arrangement with the employee, or a person associated with the employee.

Sole traders and partners in a partnership do not pay FBT on business vehicles they use privately.

Instead, they make income tax and GST adjustments for private use.

As a sole trader or partner in a partnership you must use a logbook to keep track of your business use of the vehicle.

| If a vehicle belonging to... | is available to... | it may affect... |
|---|---|---|
| any business | an employee | FBT and GST |
| a sole trader | the sole trader | income tax and GST |
| a partnership | a partner | income tax and GST |
| a company | a shareholder-employee | FBT and GST |

From the 2018 income year onwards, a close company can make an election to apply the rules for determining motor vehicle expenditure rather than FBT. To qualify, a close company must:

- have only 1 or 2 motor vehicles made available for the private use of shareholder-employees, and
- provide no other fringe benefits to any employees.

To find out more about the rules for motor vehicle expenditure and how to make adjustments for private use go to **ird.govt.nz/fbt**

You can make an election by including a note the company is opting out of the FBT rules with your income tax return for the year the motor vehicle is:

- acquired, or
- 1st used for business use.

An election is only valid if it is provided by the due date for filing the income tax return. Once the election is made you cannot return to using the FBT rules for that vehicle unless the vehicle is disposed of, or the close company stops using the vehicle for business use.

Generally, as long as you have made a vehicle available for an employee to use privately, you'll have to pay FBT whether or not your employee actually uses the vehicle privately.

## Exemptions from FBT on work-related vehicles

An FBT liability does not apply for any day a vehicle provided to an employee is classified as a work-related vehicle.

Note - not all business vehicles are work-related vehicles for FBT purposes. To qualify for the work-related vehicles exemption from FBT all of the following requirements must be met.

1. The vehicle must be drawn or propelled by mechanical power, including a trailer, and have a gross laden weight less than 3,500kg.

> ***Note***
>
> If a vehicle above the gross laden weight is provided to an employee for private use this may need to be treated as an unclassified benefit. You should regularly check logbooks, petrol receipts etc to make sure employees are using the vehicle appropriately. You should also keep a record of these checks.

2. Business identification regularly used by the employer (or owner, if vehicle is rented) must be permanently and prominently displayed on the exterior of the vehicle. This may include a name, logo acronym or other business identification. Magnetic or removable signs are not enough, and neither is signwriting on a removable part of a vehicle (such as a pick-up's removable canopy or a spare wheel cover).
3. The exclusive design of the vehicle must be to carry goods, or goods and passengers equally. If the vehicle is designed mainly to carry passengers, it will not meet this requirement.

   Vehicles that may qualify:

   - Utes (including extra cabs and double cabs).
   - Light pick-up trucks.
   - Vehicles with rear doors that are permanently without rear seats such as vans, station-wagons, hatchbacks, panel vans and 4-wheel drives. This also applies if the rear seats have been welded down or made unusable because of a permanent fixture, such as shelving, covering the entire rear seat area.
   - Taxis, including sedans and station-wagons (the rear seat requirement stated above does not apply to taxis).
4. You must notify employees in writing the vehicle is not available for private use, except for:
   - travel between home and work necessary in (and a condition of) their employment
   - travel incidental to business travel (for example, passing by the bank on the way home from work).

> ***Note***
>
> You must give employees a separate letter explaining this restriction rather than mentioning it in their employment contract (example letter page 9).

*Example*

James, the chief mechanic, is given an Audi A4 station-wagon as a work-related vehicle. The A4 has permanent signs, the rear seats have been removed and cabinetry built to carry essential tools if he's called out. His employer gave James a letter (see below) advising him the Audi is not available for private use.

1 January 20XX

Audis on Anglesey Ltd
563 Goodyear Street
WELLINGTON

**Vehicle private use restriction**

Dear James

The Audi A4 station-wagon, registration number CFK917, has been provided to you as required in your role with us.

This vehicle is for business use and is not available for private use during the week or the weekend, unless you:

- are travelling between home and work, or
- have any incidental travel while using the station-wagon on Audis on Anglesey Ltd business.

This for fringe benefit tax reasons. We'll also regularly check to make sure you're following this restriction.

Thank you for your co-operation.

Allan

## Partial exemption

If a vehicle meets the 4 conditions listed, it is a work-related vehicle. However, if you decide to allow some private use on certain days, such as Saturdays, Sundays and statutory holidays, you can have a partial exemption. This means the vehicle is not a work-related vehicle on those days and you pay FBT on those days in each quarter. This is useful for employees who are on call and need their vehicles with them for emergency callouts.

# Emergency calls

If an employee uses a vehicle to attend an emergency call, FBT does not apply for the whole day when the employee travels from their home, and in the course of their employment provides:

- essential services relating to the operation of your plant or machinery, or the plant or machinery of your client or customer
- essential services relating to the maintenance of services provided by a local authority or a public authority
- essential services relating to the carrying on of a business for the supply of energy or fuel to the public
- emergency services relating to the health or safety of any person
- the services must be requested by a member of the public, the employer, their client or customer.

The visit must take place between 6pm and 6am during the work week, or at any time on a Saturday, Sunday or statutory public holiday. There are no time restrictions in the case of health or safety of a person.

# Business travel

An exemption from FBT may apply when an employee is required to travel on a regular basis with a vehicle, and the following conditions are met:

- The length of the trip is more than 24 hours.
- Use of the vehicle is required for the employee to perform their duties.
- The employee must be absent from home with the vehicle for the exemption to apply.

*Example*

Mark has an Audi A4 station-wagon available for unlimited private use. Mark regularly travels outside of Wellington to perform specialist repairs on clients' vehicles. He is often away from home overnight when visiting multiple clients or making difficult repairs. Days where Mark is absent from home with the vehicle for more than 24 hours while working, qualify for a business travel exemption.

## Vehicles parked at airport carparks

If an employee parks a vehicle at an airport while they fly to another destination, the business travel exemption does not apply, as the employee is not with the vehicle. Whether FBT is payable depends on if you have made the vehicle available for private use.

FBT may apply to the day of departure and the day of return unless the employee has been restricted from using the vehicle for private travel.

Any days between the employee's departure and return are exempt from FBT, as you have removed the employee's access to the vehicle by requiring them to fly on business.

### Records

You must keep adequate records to support the exemptions claimed.

## Other days not liable

Sometimes vehicles may be unavailable to the employee. For example, if the vehicle has broken down or is being repaired. The vehicle must be unavailable to the employee, or any of their associates, for at least 1 complete 24-hour period before you can claim an exemption. These days qualify for an exemption provided there's a valid reason recorded for the vehicle's unavailability.

## Election of the commencement of a 24-hour period

You can elect the start time for an FBT day to reflect your business needs.

This removes the anomaly where 2 days' FBT could be incurred when a vehicle was taken home overnight.

If you elect a start time other than midnight you must apply it to all vehicles owned or leased. The election normally lasts 2 years.

To make an election, choose a start point and notify us of the election start time and date in writing. The election becomes effective from the start of the quarter, income year, or tax year we receive the notification in.

This provision benefits you if you occasionally allow employees to take vehicles home overnight.

You may apply to amend the start time of the 24-hour period if your circumstances have changed in a way that:

- is more than minor, and
- the starting time is no longer relevant to the business.

The election applies for a minimum period of 2 income years. You may apply to amend this in writing.

## 3-month test period

Using a 3-month test period means that instead of recording every exemption a vehicle qualifies for over its whole life, you can keep these full records for just 3 months.

You can then use the result of the test to calculate your FBT for that vehicle for a 3-year application period, after which you'll have to run another test period. The records you must keep are outlined on page 15.

Remember, you have to pay FBT as long as the vehicle is available for private use, whether or not it's actually used.

The table below shows when you must run your test period, and when the 3-year application starts..

| Filer | Test covers | 3-year period starts |
|---|---|---|
| quarterly | 1 full quarter | 1st day of that quarter |
| annual | 1 full quarter | 1 April of the year the test is in |
| income year | any 3 consecutive months in the income year | 1st day of the income year the test is in |

The test period must fairly represent when you expect the vehicle will be available for private use by your employee over the 3-year period. If the actual number of exempt days in any quarter, year or income year is 20% higher than the test period result, the application period ends on the last day of that quarter, year or income year. If we consider the test period result is not representative of the exempt days, we may reject it. You'll then have to run another test period.

*Example*

Flynn can use an Audis on Anglesey Ltd's vehicle for private use on Saturdays, Sundays and statutory holidays. The vehicle qualifies for the work-related vehicle exemption on other days. Audis on Anglesey decided to run a test period in the September quarter. In the quarter Flynn had 6 callouts that qualified for the emergency call exemption. Flynn also had to spend a weekend out of town for a conference (leaving on Friday and returning on Monday). This travel qualified for the business travel exemption. These are Audis on Anglesey's records.

| | |
|---|---|
| Number of days in the quarter | 92 |
| Number of liable days (Saturdays, Sundays etc) | 26 |
| Number of callouts on liable days that qualified for the emergency call exemption | 6 |
| Number of callouts on weeknights | 3 |
| Business travel qualifying for the business travel exemption | 2 |

The number of FBT days the vehicle was made available for private use in this test period was 18 (26 - 6 - 2). In this case, 18 days can be used in each quarter in the 3-year application period. As the vehicle qualifies for the exemption for work-related vehicles on weekdays, the 3 weeknight callouts were disregarded as those days were already exempt.

Only 2 days were counted as out-of-town travel days, as the Friday and Monday involved were already covered by the work-related vehicle exemption.

### Exemption days

The number of days in each quarter varies when deducting exempt days from the total of liable days. You must deduct the number of exempt days from the actual number of days in the quarter.

The actual number of days in each quarter are:

| | |
|---|---|
| June quarter (Apr, May, Jun) | 91 |
| September quarter (Jul, Aug, Sep) | 92 |
| December quarter (Oct, Nov, Dec) | 92 |
| March quarter (Jan, Feb, Mar) | 90 |

There are 91 days in the March quarter in leap years.

# Motor vehicle valuation methods

You have 2 options for valuing motor vehicles. FBT can be calculated on either the cost price or the tax book value.

Both FBT valuation methods may be calculated on a GST-inclusive or GST-exclusive basis.

## Cost price

The cost price of a motor vehicle includes any initial costs of getting the vehicle on the road.

In addition to the purchase price of the vehicle, the cost price includes:

- initial registration costs and licence plate fees
- any extras fitted, such as a towbar
- any initial transportation costs for the vehicle, such as freight and customs duty.
- Credit received from the Clean Car Rebate

However, this does not include items such as financing the purchase of the vehicle, or annual re-licencing fees. The cost price is also not reduced if the State Sector Decarbonisation Fund applies. Any trade-in value should not be subtracted from the cost price.

The table below shows the FBT valuation rates when using cost price.

| Return filing | GST-inclusive cost price | GST-exclusive cost price |
|---|---|---|
| Annual or income year | 20% | 23% |
| Quarterly | 5% | 5.75% |

## Tax book value

The motor vehicle's tax book value is:

- the original cost price less the total accumulated depreciation of the vehicle as at the start of the FBT period, or
- the cost of the vehicle if acquired after the beginning of the tax year.

The table below shows the FBT valuation rates when using the tax book value

| Return filing | GST-inclusive tax book value | GST-exclusive book value |
|---|---|---|
| Annual or income year | 36% | 41.40% |
| Quarterly | 9% | 10.35% |

A minimum tax book value of $8,333 applies to this option. This means once the tax book value of the vehicle falls below $8,333, the taxable value of the vehicle must be calculated on $8,333. This is to reflect the on-going benefit the employee receives by the vehicle being made available for private use, even when the vehicle has significantly depreciated.

If you have chosen between the cost price and tax book value options in the 1st FBT return for the vehicle, you must continue to use this option until at least the earliest of the following:

- the date the vehicle is sold
- the date you stop leasing the vehicle, or
- the date when 5 years has elapsed from the start of the period of the 1st return.

# Motor vehicle cost price or tax book value?

If you provide motor vehicles for private use, choose the option (cost price or book value) that benefits you most. The tax book value method costs more in the initial years when compared to the FBT payable under the cost price option. However, the tax book value method is of benefit if you intend to retain your motor vehicles for longer than 5 years.

## Leased vehicles

If you lease a vehicle from any person, whether associated or not, you can calculate FBT on either the cost price or tax book value.

If you're unsure of the cost price or tax book value you'll need to ask the lessor, who is required to disclose the relevant values to you.

If you lease a vehicle previously leased to another person, the vehicle cost price is the market value if:

- the leased vehicle was not previously leased by an associated person, and
- you're not associated with the lessor or owner of the vehicle, and
- your employee is not the lessor or owner of the vehicle, and
- your employee is not associated with the lessor or owner of the vehicle.

## Vehicle acquired at no cost or less than market value

If you received a vehicle at no cost, or for less than market value, or at a cost that cannot be determined from an associated person, the value of the vehicle is the higher of:

- the original purchase price the associated person paid, or
- the current market value.

Market value is the price that would normally be paid for the motor vehicle in the open market at the time the employee receives the fringe benefit. You must have records to support the market value used.

# Determining the value of pooled motor vehicles

If there's a pool of vehicles available for an employee to use, work out the value of each vehicle from the table below.

| If the... | use the... |
|---|---|
| employee uses mainly 1 vehicle | value of that vehicle |
| employee does not mainly use the same vehicle, and the employer's business is not selling cars | highest value of any of the vehicles in the pool |
| employee does not mainly use the same vehicle, the employer's business is selling cars, and the vehicles in the pool are trading stock | average value of all the vehicles in the pool |

**Note**

The number of days cannot be more than 90. If the quarter has more than 90 days, such as the 92 days of the September quarter, the most Y can be is still 90.

**Example**

**Cost price option**

Audis on Anglesey Ltd has a pool of 4 vehicles (trading stock) valued at $17,800, $18,900, $25,600 and $32,500. The average pool value is $23,700.

Audis on Anglesey Ltd use the average value as they are in the business of selling cars and the vehicles in the pool are trading stock.

In the June quarter there are 91 days. They use 90 days as the pool vehicles are available for employees to use 100% of the time. If the days available were less than 90, they would use the available days. The taxable value is:

$$\text{Number of cars} \times \text{Average cost price} \times \frac{\text{Available days*}}{\text{Days in quarter}} \times 5\%$$

$$4 \times \$23{,}700 \times \frac{90}{90} \times 5\% = \$4{,}740$$

*The lessor of 90 days or actual use days

**Note**

If there are exempt days for any of the vehicles, complete an individual calculation for each one to work out the taxable value for the pooled vehicles.

**Example**

**Book value option**

Audis on Anglesey Ltd own the vehicles (no longer trading stock) and no employees use a particular vehicle. However, all employees used the highest value vehicle at least once during the year. They calculate FBT using the book value option based on the book values of $9,000, $13,000, $18,000 and $26,000:

$$\text{Number of cars} \times \text{Highest book value of all pool vehicles} \times \frac{\text{Available days*}}{\text{Days in quarter}} \times 9\%$$

$$4 \times \$26{,}000 \times \frac{90}{90} \times 9\% = \$9{,}360$$

*The lessor of 90 days or actual use days

# Calculating the taxable value of private use of a motor vehicle

For quarterly FBT returns, the value of fringe benefit (the private use or enjoyment) of the vehicle or the availability of use is:

$$\frac{Y \times Z}{90}$$

Y is the lesser of:

- the number of days the vehicle is available for private use* or
- 90 days

Z is either:

- 5% of the GST-inclusive cost price of the vehicle (owned or leased by the employer), or
- 9% of the GST-inclusive, or 10.35% of the GST-exclusive tax book value of the vehicle.

## *Calculation of Y

When calculating the number of days a vehicle is available for private use, you must deduct the number of exempt days from the actual number of days in the quarter.

| Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | |
|---|---|---|---|---|---|---|---|
| April | 30 | July | 31 | October | 31 | January | 31 |
| May | 31 | August | 31 | November | 30 | February* | 28 |
| June | 30 | September | 30 | December | 31 | March | 31 |
| **Total days** | **91** | | **92** | | **92** | | **90** |

*91 days in a leap year.

**Example**

The table below shows the variances in the taxable values used for calculating an employer's fringe benefit liability using either the cost price or the book value options.

| Employee | Cost price | × 5% = taxable value | Book value | × 9% = taxable value |
|---|---|---|---|---|
| Allan | $132,900 | $6,645 | $85,056 | $7,655 |
| Karyn | $ 84,900 | $4,245 | $54,336 | $4,890 |
| Michael | $ 89,900 | $4,495 | $57,536 | $5,178 |
| Zac | $ 74,900 | $3,745 | $47,936 | $4,314 |
| Nicole | $ 40,000 | $2,000 | $25,600 | $2,304 |
| Flynn | $ 32,000 | $1,600 | $20,480 | $1,843 |
| **Total** | | **$22,730** | | **$26,184** |

**Note**

If you choose the book value option, regardless of the book value in the financial accounts being less than $8,333, the taxable value for calculating the fringe benefit will remain at $8,333.

Book value has been calculated using depreciation at 36% for a 12-month period.

## Annual and income year returns

If you file annual returns, calculate the value of the benefit for the year by adding the sum of the amounts calculated using the quarterly formula for each of the 4 quarters in the applicable year.

If you file income year returns, calculate the value of the benefit for the year as follows:

$$\frac{Y \times Z}{365} = \text{taxable value}$$

Y is the lesser of:

- the number of days during the year the vehicle is available for private use, or
- 365.

Z is either:

- 20% of the GST-inclusive, or 23% of the GST-exclusive cost price of the motor vehicle, or
- 36% of the GST-inclusive, or 41.40% of the GST-exclusive tax book value of the motor vehicle.

*Example*

**Cost price**

Audis on Anglesey Ltd completed its income year return and Allan had unlimited availability of the company's Audi A6 that cost $132,900. During the year Allan had 75 exempt days when the vehicle was not available for private use.

There are 365 days in the year (except in a leap year):

365 days – 75 days = 290 (Y)
Cost price $132,900 × 20% = $26,580 (Z)

The taxable value of the fringe benefit is:

$$\frac{290\ (Y) \times \$26{,}580\ (Z)}{365} = \$21{,}118$$

*Example*

**Book value**

Using the previous example where the book value of the Audi A6 is $85,056 the calculation would be:

365 days – 75 days = 290 (Y)

Book value $85,056 × 36% = $30,620

(Z) The taxable value of the fringe benefit is:

$$\frac{290\ (Y) \times \$30{,}620\ (Z)}{365} = \$24{,}328$$

# Employee contributions

If an employee makes any payments in return for having a fringe benefit, the payment is deducted when working out the taxable value of the benefit.

If an employee makes a full contribution, there is no taxable fringe benefit value and no FBT liability, but the employer still needs to include the nil fringe benefit value in the FBT return.

## Employees paying for fuel

If an employee pays for some of the fuel, they must give you a receipt for each contribution. The receipt or an invoice must meet the normal receipt requirements and include the vehicle's registration number. You cannot claim the GST paid or the amount as an expense against income. The contributions should be deducted when working out the taxable value. If the employee pays for expenses and is reimbursed by you, the value of the fringe benefit remains unchanged.

*Example*

Michael has unlimited use of his Audi A4 and decides to visit his relatives in Taupo. His petrol costs $170 and he pays for this personally.

The calculation for FBT on the cost price option would be:

$$\frac{\$89{,}900 \times 90 \times 5\%}{90} - \$170 = \$4{,}325$$

## Direct payment to the employer

A direct payment to the employer by an employee must be recorded by the employer as income for both GST and income tax purposes. The employee's contribution is deducted when working out the taxable value.

## A shareholder-employee makes a contribution by a current account adjustment

You can do this if the appropriate journal entries are made and are effective on or before the last day of the FBT period (the last day of each quarter, or the last day of the annual or income year period).

## The employee part-owns the vehicle

In this situation, 2.5% of the employee's contribution to the cost price can be deducted from the value of the benefit in each quarter. For income year returns, 10% of the employee's contribution is deducted. If the period covered by the return is less than a normal income year, calculate the amount as:

$$\frac{\text{number of days covered by the return}}{365 \text{ days}} \times 10\%$$

*Note*

Only the amount paid for the use of the vehicle itself can be deducted here, and only if there's an actual cost to the employee.

Any indirect costs, such as garaging or costs for which there has been no payment, such as the employee doing some servicing of the vehicle at home, cannot be deducted.

# FBT taxable value calculation sheet - quarterly - IR427

- Please keep the calculation sheets for your own records.

**Employer's details** **Name** XYZ Limited **IRD number** 0 0 0 0 0 0 0 0 0 **Period ended** 3 1 / 0 3 / 2 0 2 4 (Day Month Year)

(8 digit numbers start in the second box. 1 2 3 4 5 6 7 8)

Motor vehicles

| 1 Employee's name or "pooled" — if pooled vehicles | 2 Make, model, year of manufacture and registration number | 3 [1] Original cost price (whether owned or leased) | 4 [1] Tax book value (owned or leased) | 5 No of days available for private use | 6 † Value of fringe benefit | 7 Recipient's contributions | 8 Taxable value (6 minus 7) |
|---|---|---|---|---|---|---|---|
| Allan | 2008 Audi A6 CDEF3 | $ 132,900 | $ | 87 | $ 6,423.50 | $ | $ 6,423.50 |
| Karyn | 2008 Audi TT KLMN5 | $ 84,900 | $ | 82 | $ 3,867.66 | $ | $ 3,867.66 |
| Michael | 2008 Audi A4 GHIJ4 | $ 89,900 | $ | 90 | $ 4,495.00 | $ 170.00 | $ 4,325.00 |
| Zao | 2008 Audi A4 OPQR6 | $ 74,900 | $ | 90 | $ 3,745.00 | $ | $ 3,745.00 |
| Nicole | 2006 Audi A4 BLDE2 | $ 40,000 | $ | 90 | $ 2,000.00 | $ | $ 2,000.00 |
| Flynn | 2005 Audi A4 ABCD1 | $ 32,000 | $ | 18 | $ 320.00 | $ | $ 320.00 |
| Pooled vehicles | | $ 23,700 | $ | 90 | $ 4,740.00 | $ | $ 4,740.00 |
| | | $ | $ | | $ | $ | $ |
| | | $ | $ | | $ | $ | $ |
| | | $ | $ | | $ | $ | $ |

**Total taxable value.** Copy this amount to Box A below. **A** $ 25,421.16

[1] **Note**

**Special rules apply for calculating the motor vehicle cost price value - FBT Guide - IR409 for more details.**
You can calculate the fringe benefit value of motor vehicles based on either the vehicle's tax value or its cost price. Having made your choice between the cost price and tax book value options, you must continue to use your chosen option until either:

- the vehicle is sold
- the vehicle ceases to be leased, or
- a period of five years has elapsed.

$$\text{Cost price (Box 3)} \times \frac{\text{days (Box 5)}}{90} \times 5\%^{*}$$

$$\text{Tax book value (Box 4)} \times \frac{\text{days (Box 5)}}{90} \times 9\%^{**}$$

* If vehicle cost excludes GST: 5.75% for quarters ending after 01/10/2010

** If vehicle book value excludes GST: 10.35% for quarters ending after 01/10/2010

† The minimum value of $8,333 must be used to calculate the taxable value once the vehicle's tax book value has depreciated to less than this amount.

| | | |
|---|---|---|
| Total motor vehicle taxable value from Box A above | **A** | $ 25,421.16 |
| Total goods and services taxable value from Box B on page 2 | **B** | $ |
| Total subsidised transport taxable value from Box C on page 3 | **C** | $ |
| Total low-interest loans taxable value from Box D on page 3 | **D** | $ |
| Total insurance and superannuation taxable value from Box E on page 4 | **E** | $ |
| **Total taxable value.** Add the amounts in Boxes A to E, print your answer in Box F. Copy this amount to Box 3 on your return. | **F** | $ |

## Motor vehicles

List your employees' names in the same order for all your calculation sheets.

## Column 1

Employee name receiving the benefit of the car or pooled vehicles.

## Column 2

Details to identify each vehicle - the registration number, make and model and year of manufacture (not required for pooled vehicles).

## Column 3

Original cost price of the vehicle, whether owned or leased.

## Column 4

Tax book value of the vehicle, whether owned or leased.

## Column 5

Number of days the vehicle was available for private use.

## Column 6

Value of the fringe benefit using either the cost price or tax book value option (use the highest pooled vehicle value).

## Column 7

Total contributions made by the employee.

## Column 8

Subtract column 7 from column 6 and enter the result.

## Box A

Add up the amounts in column 8 and enter the total in box A. This is your total taxable value for motor vehicles.

# Record keeping

## Vehicle available for private use

If you provide a vehicle made available for private use you need to keep enough records to

- identify the specific motor vehicle
- support the market value or cost price
- have working papers showing how the liable days are calculated for each quarter, with supporting documentation for any exempt days (if there are no exempt days in a quarter you do not need to keep a record of days)
- maintain copies of any private use restriction (usually a letter or notice)
- include working papers showing how the total of any employees' contributions for each quarter was calculated, with supporting documentation.

## Work-related vehicles

You'll need to keep these records for any work-related vehicle:

- a description of the vehicle to show it qualifies for the exemption
- a copy of the private use restriction (letter or notice)
- records of the quarterly checks required to ensure the vehicle is not used for unauthorised private use.

The types of records show the requirements that must be met for a vehicle to qualify for the work-related vehicle exemption.

## Work-related vehicle partially available for private use

For work-related vehicles partially available for private use, a copy of the written restriction stating this must be held by you. Remember the actual days the motor vehicle is available must be stated, for example, Saturdays, Sundays or statutory holidays. They cannot, for example, be any 2 days per week, as this means the vehicle is available on any day, and full FBT would apply.

## Emergency call exemption

For emergency call exemption claims, keep a record of:

- the purpose of the call
- the details of the services provided
- when the service was performed, for example, duration, time employee left and returned home, why the services had to be performed at that time
- the customer/client details
- the details of the employee and vehicle.

## Business travel exemption

For any business travel claims, keep a record of:

- the purpose of the travel
- proof the travel was for longer than 24 hours
- the number of days that qualified for the exemption
- the details of the employee and the vehicle.

# Part 4 - Free, subsidised or discounted goods and services

This part explains how to deal with free, subsidised or discounted goods and services. It also explains how entertainment expenses fit in with the FBT rules.

The 3 main types of fringe benefits in this category are goods, services and subsidised transport.

### Benefits provided to shareholder-employees

A company providing any of the benefits in part 4 to shareholder-employees may pay FBT on them or choose to treat them as dividends. You must let us know in writing if you choose this option. You can do this by sending a message in myIR including the return period it relates to or if you file paper returns, note this on your FBT return. If you do not tell us, the benefit will be treated as a fringe benefit.

### GST and the value of the fringe benefit

You must use the GST-inclusive cost of free, subsidised or discounted goods and services.

## Goods

### FBT on goods

If goods are provided for an employee at less than the cost to you, this is a fringe benefit. The cost to you is usually the price paid to purchase those goods.

However, if you manufactured, produced or processed the goods, the cost is the lowest price identical goods are sold by you to other customers (wholesale or retail).

***Example***

If a soft drink producer provides free soft drink for employees to take home, FBT would be charged.

### Goods not subject to FBT

If the sale price of the goods to the employee is more than the cost to the employer, FBT is not payable.

If an item usually retails for $200 or less, is on special to the public and sold at discount to an employee at the normal staff discount rate, it is not considered a fringe benefit. This only applies if the price paid by the employee is more than:

- 95% of the cost price to the employer, or
- 95% of the selling price to the public, if a reasonable quantity of identical goods are available on special to the public

The fringe benefit is the lesser of these amounts.

There's another exemption for goods not on special, sold to employees at less than cost price. This applies when:

- the goods are sold as part of the employer's normal business, and
- the normal retail price of the goods is $200 or less, and
- the discount is the usual staff discount, and the staff discount is not more than 5% of the sale price to the public.

If these conditions are met, there is no FBT payable on the goods.

Private use and the availability for private use of employer-owned or leased business tools are exempt from FBT if the tools are mainly provided for business purposes. The cost of each tool must not be more than $5,000.

***Example***

Nicole has been given a laptop costing $2,900 (GST-inclusive). She uses it mostly for work but has also used it for completing assignments and research.

As the laptop is mostly for business use, there is no fringe benefit for the personal use. If the value of the laptop is more than $5,000, the exemption does not apply.

Benefits from undertaking hazard management initiatives such as protective clothing or health checks will not incur an FBT liability for any benefits that arise out of that management, irrespective of where the benefit is provided.

To qualify, the measures must be aimed at addressing hazard management in the workplace as outlined in the Health and Safety at Work Act 2015. It does not extend to items such as gym subscriptions or employer-paid health insurance premiums.

***Example***

Flu injections were provided on site to all employees of Audis on Anglesey Ltd, but Nicole, James and George were not available on the arranged day. Each went to their own doctor to receive the vaccination and the company paid the fees. As the company was complying with its health and safety obligations the vaccinations are not a fringe benefit.

***Note***

There is no FBT for discounted goods or services provided to employees by a 3rd party under an arrangement with the employer, if:

- the discount is no more than offered to comparably sized groups, and
- the discount is undertaken on an arm's-length basis.

## Services

### FBT on services

If services are provided to an employee at less than the normal cost to the public, this is a fringe benefit.

These include gifting schemes, such as long-service awards, incentive vouchers or gifts, club memberships, accompanying travel by the employee's spouse or family, and other such benefits.

If you pay for an employee's partner and/or family to visit them at their temporary workplace, it may be exempt from FBT. To qualify for the exemption, the value of the travel must not exceed the amount that would have been provided as a tax-free allowance to the employee if they travelled home instead.

*Example*

Audis on Anglesey Ltd sends Zac to Auckland for a 3-week training course. Zac goes home the 1st weekend – return flights cost of $610. The 2nd weekend Zac's wife comes to Auckland instead. Her flights cost $580.

No FBT is payable as the flights cost less than Zac's. If his wife's flights were more than $610, FBT would be payable on the whole amount of her flights.

### Taxable value of the services

The taxable value of the fringe benefit is the normal market price (including GST) of the service provided, less any employee contribution not reimbursed by the employer.

If someone else provides the service on behalf of the employer, the value of the benefit is the amount paid by the employer to that supplier. If the employer and the supplier are associated, the fringe benefit value is the value of those services to the general public.

*Note*

Income tax may apply to some entertainment goods and services that may be considered fringe benefits - see Part 8.

## Exemptions for goods and services

### Free (gifts and prizes), subsidised or discounted goods and services

If you provide free (gifts and prizes), subsidised or discounted goods and services, FBT is not payable if you meet the requirements of the general employee exemption and maximum employer exemption.

### General exemption

There's a $300 exemption per employee per quarter from paying FBT if you provide free (gifts and prizes), subsidised or discounted goods and services. However, if the value of the benefits for an employee is more than $300 in a quarter, the FBT applies to the full value of the benefits – the exemption is not deducted first.

*Example*

| **Quarterly return** | **Employee** | |
|---|---|---|
| **Benefits** | **Nicole** | **Bailey** |
| Prize - mystery weekend | $170 | $200 |
| Tyre balance | $ 25 | |
| Audi jacket | | $300 |
| **Total** | **$195** | **$500** |
| Exemption available | $195 | $ - |

There's no exemption for Bailey as the total value of benefits is over the $300 maximum per quarter. The total exemption of $195 only applies to Nicole as the fringe benefit is less than $300.

### Maximum exemption

The maximum exemption you can claim is $22,500 per annum. If the total value of benefits for all employees is more than $22,500 for the current and 3 preceding quarters, you must pay FBT on the total value of the goods and services benefits in the current quarter.

### Charitable organisation exemption

Generally, charities are exempt from paying FBT on benefits provided to employees while they are carrying out their charitable activities - see our **Charitable and donee organisations – IR255 guide**.

This exemption does not apply to any short-term charge facilities (including vouchers) provided to employees, if the value of the facility is more than the lesser of

- 5% of the employee's salary or wages in a tax year, or
- the general exemption.

A short-term charge facility is an arrangement for an employee to get goods and services that have no connection to the charitable organisation or its operations, where the organisation is liable for part or all the payment for those goods and services.

### Annual and income year returns

Employers who file income or annual year returns have a yearly exemption of $1,200 for each employee, with the maximum employer exemption for all employees of $22,500 per year. If the period covered by the return is less than or more than a normal income year, an adjustment per employee is needed as follows:

$$\frac{\text{days covered by return}}{365} \times \$1{,}200$$

## Public transport

Certain public transport benefits you provide to your employees may be exempt. They need to be mainly for the purpose of the employee travelling between work and home and be 1 of the exempt transport options.

### Transport fares

The exemption covers fares for the following transport options:

- bus
- train
- ferry
- cable car.

Transport fares provided mainly for the purpose of the employee travelling between work and home and partly funded by the Total Mobility Scheme are also included.

### Employer provided transport

The exemption applies if you provide:

- bicycles
- electric bikes
- scooters
- electric scooters
- other low-powered vehicles declared by NZ Transport Agency Waka Kotahi as mobility devices or not motor vehicles.

This exemption also applies if you help pay for certain vehicle share services for any of these transport modes.

### Transport not covered

These exemptions do not apply to transport options such as:

- air transport
- taxi
- shuttle

## Goods and services - attributed and non-attributed benefits

### Free, subsidised or discounted goods and services

If the annual taxable value of all free, subsidised or discounted goods or services is less than $2,000 per employee, the benefits do not have to be attributed to the individual employee receiving them.

If you attribute any fringe benefits within the threshold, all benefits in that category must be attributed.

*Note*

Non-attributed benefits are taxed at 49.25% or 63.93% depending on the circumstances.

If you choose the alternate rate option and attributing benefits, you should identify the benefits that are attributed and non-attributed on a quarterly basis. This will save you time at the end of the year when you complete your final or quarter 4 return.

For non-attributed benefits in this category, you'll also have to make sure at the end of the year the total annual benefits provided to each employee are less than $2,000. If an employee's total benefits exceed the threshold, the benefits must be attributed to them.

## Subsidised transport

### Attributed and non-attributed benefits

This only applies to employers who are in the business of, or in a group of companies in the business of, supplying transport to the public. For example, air, road, rail and sea passenger services.

A fringe benefit exists when employees receive the same service offered to the public at a cost less than 25% of the highest fare charged to the public. This also applies when the subsidised transport is provided by a 3rd party, if both the employer and the 3rd party are in the public transport business.

*Example*

A company provides air services to the general public. Employees can travel on these services by paying 10% of the highest price applying at the time of travel.

Mike, an employee, bought overseas travel costing $1,000. The highest cost for this class of travel was $10,000 so the fringe benefit is $1,500:

$10,000 × 25% = $2,500 less $1,000 employee contribution.

Subsidised transport is a separate category of fringe benefit. It does not have to be attributed to individual employees if all employees have the same or similar entitlement. However, if this is not the case, the annual taxable value of subsidised transport provided to an employee of $1,000 or more must be attributed.

*Note*

If 1 benefit in this category is attributed, all benefits must be attributed.

If you choose the alternate rate option and attributing benefits, you should identify the benefits attributed and non-attributed on a quarterly basis. This will save you time at the end of the year when you complete your final or quarter 4 return.

For non-attributed benefits in this category, at the end of the year you'll have to make sure the total annual benefits provided for each employee are less than $1,000. If an employee's total benefits exceed the threshold, the benefits must be attributed to them.

## Specific common issues

### Distinctive work clothing

If you provide distinctive work clothing there is no FBT. Clothing includes any single item of clothing forming part of a uniform identifiable with the employer because of logos, pattern, colour scheme or style.

### Carparks

If you provide employees with carparks there is no FBT if the carpark is on your premises. This exemption extends to leasing carparks for your employees, provided they have an exclusive right to occupy the property.

### Frequent flyer and membership reward schemes

Benefits do not have FBT if your employees join the scheme for their own use. FBT may apply if you enter an arrangement with the promoter of the scheme to benefit employees.

# FBT taxable value calculation sheet - quarterly - IR427

## Quarter 4

**Free (gifts and prizes), subsidised, or discounted goods and services**

**Attributed benefits**

The need to attribute benefits only applies if you have elected to use the alternate rate calculation process. Attribute benefits to the individual employee who receives the benefit if the **annual** taxable value, within this category, of all benefits to that employee is $2,000 or more.

| 1 Employee's name or "non-attributed" — if non-attributed benefits | 2 Description of benefit | 3 [3] Value of fringe benefit | 4 Recipient's contributions | 5 Total benefit (3 minus 4) | 6 [6] Exemption (if claimed) | 7 Taxable value (5 minus 6) |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| Nicole | | $ 195.00 | $ – | $ 195.00 | $ 195.00 | $ 0.00 |
| Bailey | | $ 500.00 | $ – | $ 500.00 | $ 0.00 | $ 500.00 |
| | | $ | $ | $ | $ | $ |
| | | $ | $ | $ | $ | $ |
| | | $ | $ | $ | $ | $ |
| | | $ | $ | $ | $ | $ |
| | | $ | $ | $ | $ | $ |
| | | $ | $ | $ | $ | $ |
| | | $ | $ | $ | $ | $ |

[6] **Exemption:** There is a $300 exemption per employee per quarter, providing the value of the individual employee's total benefit does not exceed $300 and the value of all employees total benefits, in this quarter and the three previous quarters, does not exceed $22,500. If the value of benefits provided for each employee, or the total in Box 1, exceeds these amounts, you cannot claim an exemption. FBT is payable on the total value of the benefits provided.

**1** $ 695.00 Total taxable value **2** $ 500.00

**How to work out if you qualify for the employer exemption in this quarter**

Transfer the amounts from Box 1 of your three previous quarterly calculation sheets into Boxes 3, 4 and 5

| | | |
|---|---|---|
| Amount from Box 1 of the quarter immediately before this quarter | 3 | $ 500.00 |
| Amount from Box 1 of the quarter before the Box 3 quarter | 4 | $ 350.00 |
| Amount from Box 1 of the quarter before the Box 4 quarter | 5 | $ 600.00 |
| **Total value.** Add Boxes 1, 3, 4 and 5 | 6 | $ 2,145.00 |

**Note:** If the total value in Box 6 is **greater than $22,500** enter the total from Box 1 into Box B.
If the total value in Box 6 is **less than $22,500** enter the total from Box 2 into Box B.

**Total taxable value.** Copy this amount to Box B on page 1 **B** $ 500.00

[3] Value of fringe benefit is:
- goods – the cost to the employer, or if manufactured, the lowest market value (GST-inclusive)
- services – the cost to the employer, or if supplied, the normal market value (GST-inclusive).

### Gifts and prizes and subsidised or discounted goods and services

List your employees' names in the same order for all your calculation sheets.

### Column 1

Employee's name or enter non-attributed.

### Column 2

Description of the goods or services provided. Include the number of employees who received the non-attributed benefit.

### Column 3

Value of the goods or services supplied.

### Column 4

Amount of any employee contribution.

### Column 5

Work out the total value of the benefit by subtracting the recipient's contributions (column 4) from the value of the fringe benefit (column 3).

### Column 6

Amount of any exemption claimed.

### Column 7

Work out the taxable value of the benefit by subtracting the exemption (column 6) from the total benefit (column 5).

### Box 1

Total the value of benefits provided.

### Box 2

Add up the taxable value of benefits provided and write the amount in Box 2.

### Box 3

Is the amount of total benefits from box 1 of the previous quarter.

### Box 4

Is the amount of total benefits from box 1 of the quarter before the quarter in box 3.

### Box 5

Is the amount of total benefits from box 1 of the quarter before the quarter in box 4.

### Box 6

Add Box 1, 2, 3 and 4 to work out the total value of taxable benefits.

If the total value of taxable benefits is more than $22,500, exemptions cannot be claimed for benefits provided in the current quarter.

### Box B

Copy the total from box B on page 2 to box B on page 1 of the calculation sheet.

**Subsidised transport**

**Attributed benefits**
The need to attribute benefits only applies if you have elected to use the alternate rate calculation process. Attribute benefits to the individual employee who receives the benefit if the **annual** taxable value, within this category, of all benefits to that employee is $1,000 or more. ⓘ

| 1 Employee's name or "non-attributed" — if non-attributed benefits | 2 Description of benefit | 3 Value of fringe benefit* | 4 Employee contributions | 5 Taxable value (3 minus 4) |
|---|---|---|---|---|
| | | $ . | $ . | $ . |
| | | $ . | $ . | $ . |
| | | $ . | $ . | $ . |
| | | $ . | $ . | $ . |
| | | $ . | $ . | $ . |
| | | | **Total taxable value.** Copy this amount to Box C on page 1 **C** | $ 0.00 |

ⓘ Special rules also apply — see the **IR409 - FBT Guide** for more details.

*Value of fringe benefit
If provided by the employer:
- 25% of maximum fare the employer charges to the public.

If provided by a third party under arrangement with the employer, the greater of:
- 25% of maximum fare the employer charges to the public
- 25% of maximum fare charged to the public if the third person and employer are part of a group of companies
- cost to the employer.

### Subsidised transport

List your employees' names in the same order for all your calculation sheets.

### Column 1

Employee's name, or non-attributed.

### Column 2

Describe the benefit. If it's a non-attributed benefit, include the number of employees who received it.

### Column 3

25% of the highest fare charged to the public, or the cost of the fare if the employer bought it from a 3rd party.

### Column 4

The amount of any employee contribution.

### Column 5

Subtract column 4 from column 3. This is the taxable value of the benefit.

### Box C

Add up the taxable value of benefits provided and enter the amount in box C.

Copy the total from box C on page 3 to box C on page 1 of the calculation sheet.

## Record keeping

You need to keep separate records for different types of fringe benefits:

- gifts and prizes
- subsidised or discounted goods, services or transport.

This is because you must list them all separately in your FBT taxable value calculation sheet.

The records must show the:

- date of transaction
- name of employee receiving the benefit
- description of the benefit provided
- cost to employee
- cost to employer for goods
- normal market price for services
- highest price charged to the general public for subsidised transport.

Where appropriate, you should also keep invoices.

# Part 5 - Low-interest loans

FBT is payable on low-interest loans made to employees. A loan includes all advances (such as salary advances), deposits, money lent in any other way, and any credit given (including delaying the recovery of a debt). A debit balance in the current account of a shareholder-employee of a close company is also a loan.

FBT is not payable on the actual loan provided by an employer to an employee. FBT is calculated on loans by comparing the interest on the loan with the interest calculated, using the prescribed rate.

## Prescribed rate of interest

The prescribed rate of interest is a standard rate set by regulation under the Income Tax Act 2007 and is reviewed quarterly.

If there's a change to the rate of interest it is made:

- at least 1 month before the start of the quarter the new rate first applies to, if the rate is increased, or
- at least 1 month before the end of the quarter the new rate first applies to, if the rate is reduced.

For the current prescribed interest rates go to **ird.govt.nz/fbt-pir**

## Market rate

Banks, financial institutions or employers in a group of companies with a member in the business of lending money to the public, may choose to calculate the interest on a loan based on the market rate. All other employers must calculate interest using the prescribed rate.

Market interest is calculated at the rate applying to an employee belonging to a group when either:

- the group is assessed as having a comparable credit as the employee's employer, and
- is not associated to the employer, and
- is big enough to conduct the transaction on an arms-length basis.

Or alternatively the rate is the lowest rate given around the same time by the employer, in the ordinary course of business, to customers with a similar profile to the employee during the quarter the loan is provided, or during the preceding quarter if the rate for the loan quarter cannot be calculated.

*Example*

A bank provides loans to their employees on terms identical to those they offer to a group of government employees, but not to the general public. The market interest rate is the one offered to the group of government employees.

## FBT on interest

If the interest on the loan is less than the interest calculated using the prescribed rate or market rate on the daily balance of the loan, FBT applies on the difference.

If a loan is provided by another person on behalf of the employer, FBT may also apply. For example, you must pay FBT on any low-interest loan provided to an employee by an associated company in a group of companies.

## FBT not payable for certain loans

If normal commercial credit is available to the general public, and you give the same credit to an employee, FBT is not payable.

*Example*

Audis on Anglesey Ltd offers their customers interest-free finance to buy new cars. Their employee Sarah buys a new car and takes advantage of the interest-free finance being offered. Even though there is no interest payable and it is lower than the prescribed rate, no FBT is payable as the finance is available to the general public.

Charitable organisations are not required to pay FBT where a benefit is made available to an employee by way of short-term credit, and the benefit does not exceed 5% of the employee's salary and wages.

If the total value of the benefits is more than the 5% threshold the charitable organisation will need to include FBT on the short-term credit available to the employee.

### Wage advances

Loans provided by employers as an advance against future salary or wages do not have FBT, provided the combined amount outstanding for an employee is not more than $2,000. The loan provided to the employee must not form part of an employment package.

This exemption does not apply to loans secured against real property, such as a mortgage.

### Employee share loans

For an employee share loan to be exempt from FBT it must meet the following criteria:

- The sole purpose and use of the loan, for the period the loan is outstanding, is to enable the employee to acquire shares, rights or options in your company or in a company associated with you.
- The shares, rights or options must be beneficially owned by the employee at all times for the period of the loan.
- A condition of the loan agreement is it must be repaid in full if the employee ceases to be the beneficial owner of any of the shares, rights or options.
- Your company issuing the shares, rights or options is not a qualifying company.
- You and your employee are not associated persons.
- Your company issuing the shares, rights or options maintains a dividend paying policy for the period of the loan.

### Share purchase scheme loans

FBT is not payable on a loan provided to an employee under a share purchase scheme.

You're allowed a deduction for interest in relation to a loan made to an employee under a share purchase scheme, provided you have our approval. To be approved you must meet the following criteria:

- The shares must be available for no more than their market value at the date of purchase or subscription and an employee can only spend $2,340 in a 3-year period on buying shares under the scheme or any similar scheme.
- Directors and any person owning at least 10% of the company are prohibited from participation.
- Employees must be eligible to participate equally in the scheme.
- The minimum period of employment or service before employees are eligible to participate is no more than 3 years' full-time work for full-time employees, and for other employees an accumulated period equivalent to 3 years' full-time work.
- A loan to an employee to buy shares:
  - is to be free of interest and other charges, and
  - be of a minimum amount of $624 or less.
- Employees must be able to repay the loan:
  - by regular equal instalments of 1 month or less, and
  - over a period of between 3 and 5 years from the date of the loan, and
  - be able to choose to repay some or all of the loan before the due date for repayment.
- The trustee of the scheme must hold the shares in trust for the employee until the loan is repaid and pay any dividends direct to the employee (must be treated as having been received by the employee).
- The trustee is prohibited from applying the amount of any dividend to the repayment of a sum owing to the company or to the trustee and the employee is prohibited from charging or disposing of their rights or interests in the shares.
- A trustee may vary the terms of the repayment of a loan under the scheme or allow the employee, if they agree, to withdraw from the scheme as if they had ended their employment. The trustee must be satisfied the employee's continued participation in the scheme has resulted or would result in serious hardship.
- An employee can withdraw from the scheme by giving 3 months' notice to the trustee. The employee is to be treated, for the purposes of the scheme, as if they ended their employment with the company on the date the notice takes effect

## Company provides low-interest loans

### Current account - debit balances

FBT is payable on the difference between the prescribed rate of interest calculated on a daily basis on the amount overdrawn, and the actual interest charged and debited to the account.

Where a shareholder-employee is allocated further income after the end of the income year, that income is deemed to have been credited to the current account. This is done on the later of

- the 1st day of that income year, or
- the day the balance of the current account first became overdrawn during that income year.

If your company files income year returns, you will have to work out the interest on the current account and pay any FBT by the due date.

However, if your company has already filed quarterly returns, you must work out the correct interest and FBT payable on the current accounts for each quarter in the year. You may have to amend filed returns. Late payment penalties, interest or shortfall penalties may be imposed on any extra FBT owing.

### Expense accounts

If you provide employees with interest-free expense accounts that can be used to purchase goods and services for private use, FBT is payable on interest calculated on a daily basis at the prescribed rate on the account's debit balance.

FBT is not payable if the employer charges interest to the expense account on a daily basis at the prescribed rate.

### Loans to life insurance policy holders

Where the holder of a life insurance policy in New Zealand receives a loan from the life insurer, FBT is payable as though the life insurer was the employer of the policy holder, and the loan was an employment-related loan. This also applies if the loan is offered to an associated person of the policy holder.

FBT is payable on any difference between the interest rate charged to the policy holder (or associated person) and the prescribed rate of interest. However, if the rate of interest on the loan given to the policy holder is exactly the same as that on loans available to the general public, no FBT is payable.

***Note***

Under the alternate rate option, loans by life insurers to life insurance policy holders are classified as pooled fringe benefits and are taxed at 49.25%.

# Taxable value of the fringe benefit

## Loans with reviewable interest rates and all loans made on or after 1 April 1985

The taxable value of the fringe benefit is

- the difference between the interest calculated on the daily balance of the loan for the quarter or income year, using the prescribed rate for that period, and
- the interest actually charged on that loan for the quarter or income year.

***Example***

### Taxable value of the fringe benefit

Sarah received a $12,000 loan from Audis on Anglesey Ltd to buy a used boat.

### Calculation of interest at prescribed rate (quarter ended 30 September 2024)

| | |
|---|---|
| Loan balance at beginning of quarter | $ 12,000.00 |
| Repayment at mid-point of quarter | $ 400.00 |
| Balance at end of quarter | $ 11,600.00 |
| Prescribed rate of interest | |
| (46 days x 8.41%) x ($12,000 ÷ 365) | $ 127.19 |
| (46 days × 8.41%) × ($11,600 ÷ 365) | $ 122.95 |
| Total interest at prescribed rate | $ 250.13 |
| (enter this in column 8 of the IR427) | |

### Calculation of actual interest charged

The loan agreement between Sarah and Audis on Anglesey Ltd states that interest is charged at a rate of 2%.

| | |
|---|---|
| Loan balance at beginning of quarter | $ 12,000.00 |
| Repayment made on day 46 of quarter | $ 400.00 |
| Balance at end of quarter | $ 11,600.00 |
| **Loan agreement interest rate** | |
| (46 × 2%) × ($12,000 ÷ 365) | $ 30.25 |
| (46 × 2%) × ($11,600 ÷ 365) | $ 29.24 |
| Total prescribed rate of interest | $ 59.49 |
| (enter this in column 9 of the IR427) | |

## Loans with non-reviewable interest rates

These are loans made before 1 April 1985, with a non-reviewable interest rate when granted. The taxable value of the fringe benefit is the difference between the interest calculated on the daily balance of the loan for the quarter or income year using the non-concessionary rate of interest.

This applies for the year the loan agreement was signed in, and the interest actually charged on that loan for the quarter or income year.

## Loans owing to life insurers - non-attributed benefits

Under the alternate rate option employment related loans provided by life insurers to their policy holding employees, do not need to be attributed.

# Income and annual year returns

If you complete income or annual year returns you must calculate the interest for each quarter and add the 4 taxable values together to get the total for the year. If you file income year returns, the standard quarters may not match your own financial year. You must still calculate the interest on the daily balance of the loan, using the prescribed rate applying on each day. This means that some income years will span 5 different standard quarters, and some prescribed rates will only apply to 1 or 2 months of the income year.

# FBT taxable value calculation sheet - quarterly - IR427

**Low-interest loans**

| 1 Employee's name | 2 Year loan was granted | 3 Is rate reviewable? Yes | No | 4 Rate of interest % | 5 *Market rate % | 6 Interest at market rate | 7 Prescribed or non-concessionary rate % | 8 Interest at prescribed or non-concessionary rate | 9 Actual interest charged | 10 Taxable value (6 minus 9) or (8 minus 9) | 11 Loan balance at end of period |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sarah | 2024 | | √ | 2% | – | $ – | 5.26% | $ 250.13 | $ 59.49 | $ 190.64 | $ 11,600.00 |
| | | | | | | $ | | $ | $ | $ | $ |
| | | | | | | $ | | $ | $ | $ | $ |
| | | | | | | $ | | $ | $ | $ | $ |

* The market rate calculation can only be used by financial and banking institutions.

**Total taxable value.** Copy this amount to Box D on page 1 **D** $ 190.64

## Quarter 4

### Low interest loans

List your employees' names in the same order for all your calculation sheets. If an employee has more than 1 loan, enter the details of each loan separately.

### Column 1

Name of employee granted a loan.

### Column 2

The financial year ended 31 March when the loan was granted. For example, a Loan granted 2 February 2024, enter 2024.

### Column 3

Tick Yes if the interest rate payable on the loan can be reviewed, or No if it cannot.

### Column 4

The interest rate for the loan agreement.

### Column 5

The market rate, if applicable.

### Column 6

The interest at market rate, if applicable.

### Column 7

The prescribed or non-discretionary rate % – go to **ird.govt.nz/fbt-pir** for the current rate.

### Column 8

The amount of interest for the period using the prescribed interest rate in column 7.

### Column 9

The interest actually charged for the period.

### Column 10

Work out the taxable value of the low-interest loan by subtracting the actual interest charged (column 9) from interest payable at the market rate (column 6) or prescribed rate or the non-concessionary rate (column 8).

### Column 11

The loan balance at the end of the period.

### Box D

Add up the amounts in column 10 and enter the total in box D. This is the total taxable value of all low-interest loans.

Copy the total from box D on page 3 to box D on page 1 of the calculation sheet.

## Record keeping

In most cases, your existing records will provide enough information to work out the value of the fringe benefit for loans. Check the following notes to see if you need to keep any extra records.

### Accrued interest

If you do not calculate the accrued interest each quarter, you must change your accounting procedures, so interest is recorded quarterly for FBT.

### Daily balance of the loan

You must work out the interest on the daily balance of the loan using the prescribed rate of interest.

To work out the daily balance you need:

- the loan balance at the beginning of the quarter
- all repayments or reductions to the loan and the dates
- interest and other charges incurred and the dates.

### Non-reviewable interest rates

If a loan is subject to a non-reviewable rate of interest, you must retain a copy of the original loan agreement. This should show:

- the interest rate payable
- a clause stating the rate is not reviewable
- the date the agreement was signed.

# Part 6 - Employer contributions to funds, insurance and superannuation schemes

FBT is payable on any contributions you make for your employees to any of the following:

- sickness, accident or death benefit funds
- funeral trusts
- insurance fund of a friendly society, life, pension, personal accident or sickness policies
- superannuation schemes where ESCT (employer superannuation contribution tax) does not apply.

ESCT must be deducted from any specified superannuation contribution to a superannuation fund you make for the employee's benefit. If an employee asks you to make deductions from their wages and pay them to a superannuation scheme, these are not specified superannuation contributions.

If you're not sure if ESCT applies to your superannuation scheme, call your scheme provider, or call us on 0800 377 772.

## Life insurance contributions

If an employee or a family member takes out an insurance policy and the premiums are paid by the employer, the payments are taxable income in the hands of the employee. You do not pay FBT on these contributions.

If you take out an insurance policy for an employee and pay the premiums, you will have to pay FBT on those premiums.

However, if you, not the employee, benefits from the policy, for example, key person insurance, no FBT is payable as there is no employee benefit and the payments are not taxable in the hands of the employee

## Discounted life insurance for agents

When life insurance agents receive discounted premiums on their own or family policies, the discounted premiums are fringe benefits. As the employer, the life insurer is liable for the FBT. For FBT purposes the self-employed commission agent is an employee as the commissions paid to them are schedular payments.

## Taxable value of fringe benefit

The taxable value of the fringe benefit is the total premium you contributed or paid.

These are calculated on a GST-inclusive basis, unless the goods and services being provided are exempt from GST.

## Attributed and non-attributed benefits

When providing these fringe benefits, there's a non-attributed threshold of $1,000 per employee, per year for each of the 4 categories referred to earlier.

If you choose to attribute any fringe benefits in a category, even if the total amount of the benefits is less than $1,000 per employee, all these benefits must be attributed.

***Note***

Non-attributed benefits are taxed at 49.25% or 63.93% depending on the circumstances.

If you're choosing the alternate rate option and attributing benefits, keep records to identify the benefits attributed and non-attributed on a quarterly basis. This will save you time at the end of the year when you complete your final or quarter 4 return.

At the end of the year make sure the total annual non-attributed benefits in this category for each employee is less than $1,000. If an employee's total benefits are more than $1,000 you must attribute the benefits to them.

# FBT taxable value calculation sheet - quarterly - IR427

## Quarter 4

### Contributions to funds, insurance and superannuation schemes

- **Complete this panel if you make contributions for your employees to:**
  Category 1 – any sick, accident and death fund approved by Inland Revenue
  Category 2 – any life insurance, pension insurance, personal accident or sickness insurance policy, or insurance fund of a friendly society
  Category 3 – any superannuation scheme where ESCT (employer superannuation contribution tax) does not apply.
  Category 4 – Funeral trusts

**Attributed benefits**

The need to attribute benefits only applies if you have elected to use the alternate rate calculation process. Attribute benefits to the individual employee who receives the benefit for each of the four categories above, if the **annual** taxable value, within each category, of all contributions to that employee is $1,000 or more.

| 1<br>Employee's name or "non-attributed" — if non-attributed benefits | 2<br>Name and description of fund | 3<br>Taxable value |
|---|---|---|
| Category 1: | | $ |
| | | $ |
| | | $ |
| | | $ |
| Category 2: | | $ |
| Non-attributed | Audis on Anglesey Ltd – staff accident fund – 10 employees – half-yearly premiums | $ 4,500·00 |
| | | $ |
| | | $ |
| Category 3: | | $ |
| | | $ |
| | | $ |
| | | $ |
| Category 4: | | $ |
| | | $ |
| | | $ |
| | | $ |

**Total taxable value.** Copy this amount to Box E on page 1 **E** $ 4,500·00

### Contributions to schemes

List your employees' names in the same order for all your calculation sheets.

### Column 1

The employee's name, or non-attributed.

### Column 2

The name and a description of the fund. Include the number of employees who received the non-attributed benefit.

### Column 3

The total amount you contributed over the period.

### Box E

Add up the amounts in column 3 and enter the total in box E. This is your total taxable value for contributions to funds, insurance, health insurance and superannuation schemes.

Copy the total from box E on page 4 to box E on page 1 of the calculation sheet.

## Record keeping

For contributions to superannuation schemes, you need to keep:

- a copy of your approval letter received from the Financial Markets Authority stating the type of superannuation scheme and the date of approval
- a list of the employees in the scheme
- a list of the amounts contributed for each employee.

For sickness, accident or death benefit funds, your records must include:

- approval from Inland Revenue
- the names of the employees in the fund
- amounts contributed for each employee.

You must keep the following records for each life, pension, funeral, personal accident and sickness insurance policy:

- the type of policy and the date it was taken out
- a list of the employees covered by the policy
- the premium amount paid for each employee.

# Part 7 - Completing FBT returns

The following information uses the current FBT rates. In this part we'll explain how to complete your:

- quarters 1 to 3 returns
- quarter 4, annual and income year returns.

The alternate rate calculation lets you choose the way you calculate FBT payable, based on the earnings paid by you to your individual employees.

In quarters 1 to 3 you'll need to choose whether you'll pay FBT at the alternate rate of 49.25% or at the single rate of 63.93%.

If you choose the alternate rate in any of quarters 1 to 3 you must complete your quarter 4 return using 1 of the following:

- full alternate rate calculation
- short form option, or
- pooled option.

The short form option applies the flat rate of 63.93% to all attributed benefits and 49.25% (or 63.93% for major shareholder- employees) to all non-attributed benefits.

The pooled option applies a flat rate of either 49.25% or 63.93% to attributed benefits (depending on the employee's pay and the value of benefits attributed to them during the year) and 49.25% (or 63.93% for major shareholder-employees) to all non-attributed benefits.

If you choose the single rate in the 1st 3 quarters, you can either complete the alternate rate calculation in quarter 4 or pay FBT at 63.93%

## Choosing a rate

You need to consider your situation when deciding the rate you're going to apply to the fringe benefits you provided.

In deciding the rates to use, consider:

- the additional time and possible set-up costs to complete the alternate rate calculations
- the impact of non-attributed benefits (if your company provides several non-attributed benefits you should consider using the alternate rate calculation process)
- the amount your employees earn annually (consider using the single rate or the short form alternate rate for employees who earn over $180,000; or the full alternate rate calculation for employees who earn less than $180,000).

## Completing FBT quarterly return - IR420 for quarters 1 to 3

The return periods for quarters 1 to 3 are:

| | |
|---|---|
| Quarter 1 June | 1 April to 30 June |
| Quarter 2 September | 1 July to 30 September |
| Quarter 3 December | 1 October to 31 December |

### Taxable benefits - section A

Copy the total from the FBT taxable value calculation sheet to your return. If you have not provided any fringe benefits, enter 0.00 in box 3.

### Rate of FBT - section B

In box 4 on the return tick your choice of tax rate. There are 2 options:

1. Pay FBT at 63.93% of the taxable value of the benefits provided. If you choose this rate in all 4 quarters, you do not need to do a quarter 4 alternate rate calculation. You can still choose to do an alternate rate calculation in quarter 4.
2. Pay FBT at 49.25% of the taxable value of the benefits provided. In quarter 4 you'll need to do an alternate rate calculation or the short form option.

***Note***

The alternate rate calculation is only an option for a final FBT return if you have stopped employing staff or stopped providing fringe benefits or in quarter 4.

### Calculate FBT, GST and tax to pay - section D

Calculate the FBT to pay using your chosen FBT rate. Enter the amount in box 6.

Steps to calculate the GST on fringe benefits:

1. Take the total from box 3.
2. Subtract the value of any benefits exempt or zero-rated supplies for GST. The most common examples are:
   - low-interest loans
   - other financial services
   - international travel
   - contributions to employee superannuation and life insurance policies.

   The result is fringe benefits liable for GST.
3. Multiply the result from step 2 by 3 and divide by 23. This is the GST amount to include in box 7. Add box 6 and 7 and enter the tax to pay in box 8 on the return form.

Tick tax to pay or refund.

# FBT taxable value calculation sheet – quarterly

**IR427**
**April 2023**

## *Motor vehicles*

| 1<br>Employee's name or "pooled" - if pooled vehicles | 2<br>Make, model, year of manufacture and registration number | 3<br>[1] Original cost price (whether owned or leased) | 4<br>[1] Tax book value (owned or leased) | 5<br>No of days available for private use | 6<br>† Value of benefit | 7<br>Recipient's contributions | 8<br>Taxable value (6 minus 7) |
|---|---|---|---|---|---|---|---|
| Allan | 2008 Audi A6 CDEF3 | $ 132,900 | $ | 87 | $ 6,423.50 | $ | $ 6,423.50 |
| Karyn | 2008 Audi TT KLMN5 | $ 84,900 | $ | 82 | $ 3,867.66 | $ | $ 3,867.66 |
| Michael | 2008 Audi A4 GHIJ4 | $ 89,900 | $ | 90 | $ 4,495.00 | $ 170.00 | $ 4,325.00 |
| Zao | 2008 Audi A4 OPQR6 | $ 74,900 | $ | 90 | $ 3,745.00 | $ | $ 3,745.00 |
| Nicole | 2006 Audi A4 BLDE2 | $ 40,000 | $ | 90 | $ 2,000.00 | $ | $ 2,000.00 |
| Flynn | 2005 Audi A4 ABCD1 | $ 32,000 | $ | 18 | $ 320.00 | $ | $ 320.00 |
| Pooled vehicles | | $ 23,700 | $ | 90 | $ 4,740.00 | $ | $ 4,740.00 |
| | | $ | $ | | $ | $ | $ |
| | | $ | $ | | $ | $ | $ |

**Total taxable value** Copy this amount to Box A below. **A** $ 25,421.16

[1] **Note**
You can calculate the fringe benefit value of motor vehicles based on either the vehicle's tax value or its cost price. Having made your choice between the cost price and tax value options, you must continue to use your chosen option until either:
- the vehicle is sold
- the vehicle ceases to be leased, or
- a period of five years has elapsed.

$$\text{Cost price (Box 3)} \times \frac{\text{days (Box 5)}}{90} \times 5\%^{*} \qquad \text{Tax value (Box 4)} \times \frac{\text{days (Box 5)}}{90} \times 9\%^{**}$$

* If vehicle cost excludes GST:
5.625% for quarters ending up to and including 30/09/2010
5.75% for quarters ending after 01/10/2010

**If vehicle book value excludes GST:
10.125% for quarters ending up to and including 30/09/2010
10.35% for quarters ending after 01/10/2010

† The minimum value of $8,333 must be used to calculate the taxable value once the vehicle's tax value has depreciated to less than this amount.

| | | |
|---|---|---|
| Total motor vehicle taxable value from Box A above | **A** | $ 25,421.16 |
| Total goods and services taxable value from Box B on page 2 | **B** | $ 500.00 |
| Total subsidised transport taxable value from Box C on page 3 | **C** | $ 0.00 |
| Total low-interest loans taxable value from Box D on page 3 | **D** | $ 190.64 |
| Total insurance and superannuation taxable value from Box E on page 4 | **E** | $ 4,500.00 |
| **Total taxable value** Add the amounts in Boxes A to E, print your answer in Box F. Copy this amount to Box 3 on your return. | **F** | $ 30,611.80 |

## *Free (gifts and prizes), subsidised, or discounted goods and services*

**Attributed benefits**
The need to attribute benefits only applies if you have elected to use the alternate rate calculation process. Attribute benefits to the individual employee who receives the benefit if the **annual** taxable value, within this category, of all benefits to that employee is $2,000 or more.

| 1<br>Employee's name or "non-attributed" - if non-attributed benefits | 2<br>Description of benefit | 3<br>Value of fringe benefit | 4<br>Recipient's contributions | 5<br>Total benefit (3 minus 4) | 6<br>Exemption (if claimed) | 7<br>Taxable value (5 minus 6) |
|---|---|---|---|---|---|---|
| Nicole | Prize & services | $ 195.00 | $ – | $ 195.00 | $ 195.00 | $ 0.00 |
| Bailey | Prize & Goods | $ 500.00 | $ – | $ 500.00 | $ 0.00 | $ 500.00 |
| | | $ | $ | $ | $ | $ |
| | | $ | $ | $ | $ | $ |
| | | $ | $ | $ | $ | $ |
| | | $ | $ | $ | $ | $ |
| | | $ | $ | $ | $ | $ |

**Exemption:** There is a $300 exemption per employee per quarter, providing the value of the individual employee's total benefit does not exceed $300, with a maximum employer exemption of $22,500 per annum for all employees. **1** $ 695.00 Total taxable value **2** $ 500.00

**How to work out if you qualify for the employer exemption in this quarter**
Transfer the amounts from Box 1 of your three previous quarterly calculation sheets into Boxes 3, 4 and 5

| | | |
|---|---|---|
| Amount from Box 1 of the quarter immediately before this quarter | **3** | $ 500.00 |
| Amount from Box 1 of the quarter before the Box 3 quarter | **4** | $ 350.00 |
| Amount from Box 1 of the quarter before the Box 4 quarter | **5** | $ 600.00 |
| **Total value.** Add Boxes 1, 3, 4 and 5 | **6** | $ 2,145.00 |

**Note:** If the total value in Box 6 is **greater than $22,500** enter the total from Box 1 into Box B.
If the total value in Box 6 is **less than $22,500** enter the total from Box 2 into Box B.

**Total taxable value.** Copy this amount to Box B on page 1 **B** $ 500.00

Value of fringe benefit is:
- goods - the cost to the employer, or if manufactured, the lowest market value (GST-inclusive)
- services - normal market value (GST-inclusive).

## *Subsidised transport*

**Attributed benefits**
The need to attribute benefits only applies if you have elected to use the alternate rate calculation process. Attribute benefits to the individual employee who receives the benefit if the **annual** taxable value, within this category, of all benefits to that employee is $1,000 or more. ⓘ

| 1<br>Employee's name or "non-attributed" - if non-attributed benefits | 2<br>Description of benefit | 3<br>25% of maximum fare or cost to employer | 4<br>Recipient's contributions | 5<br>Taxable value (3 minus 4) |
|---|---|---|---|---|
| | | $ | $ | $ |
| | | $ | $ | $ |
| | | $ | $ | $ |

**Total taxable value.** Copy this amount to Box C on page 1 **C** $ 0.00

ⓘ Special rules also apply - see the *FBT guide (IR409)* for more details. You can get this from **ird.govt.nz** or by calling our self-service line on 0800 257 773.

## *Low-interest loans*

| 1<br>Employee's name | 2<br>Year loan was granted | 3<br>Is rate reviewable? Yes No | 4<br>Rate of interest % | 5<br>*Market rate % | 6<br>Interest at market rate | 7<br>Prescribed or non-concessionary rate % | 8<br>Interest at prescribed or non-concessionary rate | 9<br>Actual interest charged | 10<br>Taxable value (6 minus 9) or (8 minus 9) | 11<br>Loan balance at end of period |
|---|---|---|---|---|---|---|---|---|---|---|
| Sarah | 2024 | No ✓ | 2% | – | $ – | 5.26% | $ 250.13 | $ 59.49 | $ 190.64 | $ 11,600.00 |
| | | | | | $ | | $ | $ | $ | $ |
| | | | | | $ | | $ | $ | $ | $ |

* The market rate calculation can only be used by financial and banking institutions.

**Total taxable value.** Copy this amount to Box D on page 1 **D** $ 190.64

## *Contributions to funds, insurance and superannuation schemes*

- **Complete this panel if you make contributions for your employees to:**

Category 1 - any sick, accident and death fund approved by Inland Revenue
Category 2 - any life insurance, pension insurance, personal accident or sickness insurance policy, or insurance fund of a friendly society
Category 3 - any superannuation scheme where ESCT (employer superannuation contribution tax) does not apply.
Category 4 - Funeral trusts

**Attributed benefits**
The need to attribute benefits only applies if you have elected to use the alternate rate calculation process. Attribute benefits to the individual employee who receives the benefit for each of the four categories above, if the **annual** taxable value, within each category, of all contributions to that employee is $1,000 or more.

| 1<br>Employee's name or "non-attributed" - if non-attributed benefits | 2<br>Name and description of fund | 3<br>Taxable value |
|---|---|---|
| Category 1: | | $ |
| | | $ |
| | | $ |
| Category 2: | | $ |
| Non-attributed | Audis on Anglesey Ltd – staff accident fund – 10 employees – half-yearly premiums | $ 4,500.00 |
| | | $ |
| Category 3: | | $ |
| | | $ |
| | | $ |
| Category 4: | | $ |
| | | $ |
| | | $ |

**Total taxable value.** Copy this amount to Box E on page 1 **E** $ 4,500.00

Inland Revenue
Te Tari Taake

**IR420**
February 2022

# Fringe benefit tax quarterly return

*Income Tax Act 2007*

**Audis on Anglesey Limited**
**563 Goodyear Street**
**Wellington**

IRD number **1** 9 9 9 9 9 9 9 9 9

Quarter ended **2** 3 1 M a r

This return and any payment are due 3 1 0 5 2 0 2 4

You can file your return online at **ird.govt.nz/myIR**

Is this return for Quarter 4 (1 January to 31 March)? No [ ] Complete sections **A**, **B** and **D** below. Yes ✓ Complete sections **A**, **C** and **D** below.

If you have ceased employing during the quarter please refer to the **FBT guide - IR409**

**A** **Taxable benefits provided for this quarter**
Copy the **total taxable values** from your **Taxable value calculation sheet - IR427** to **Box 3**.
If there is no taxable value leave this box blank and still file this return.

**3** $ 30,611.80

**B** **Complete this section for Quarters 1, 2 and 3** – do not complete this section for Quarter 4.
**49.25%** for periods between 01/10/2010 to 31/03/21
**63.93%** for periods from 01/04/2021
**or**
Tick alternate rate
43% for periods after 01/10/2010
49.25% for periods after 01/04/2021

**4** [ ].[ ] % Alternate rate [ ]

**C** **Complete this section for Quarter 4** – see the **Taxable value calculation sheet - IR429** for help
Enter the rate you are using
49.25% up to income year 31/03/2021
63.93% from 01/04/2021 onwards, or tick the Pooled alternate rate or the Alternate rate box.

Pooled alternate rate [ ]

**5** [ ].[ ] % Alternate rate ✓

**D** **Fringe benefit tax to pay or refund**
- For Quarters 1, 2 and 3 multiply Box 3 by Box 4 and print your amount in **Box 6**.
- For Quarter 4 multiply Box 3 by Box 5 or transfer amount from Box C of the IR 417 or your remuneration adjustment worksheet to **Box 6**.

**6** $ 9,587.57

(Tick one) **FBT to pay** ✓ **FBT refund** [ ]

Taken from the IR417 on page 33 of this guide

**GST payable on fringe benefits**
This is the value from Box 3 (less any fringe benefits that are exempt or zero-rated for GST)
– Fringe benefits provided up to and on 30 September 2010, divide the value by 9, and
– Fringe benefits provided on or after 1 October 2010, multiply the value 3 and divide by 23 (value × 3 ÷ 23).
Add the two amounts together and print in **Box 7**.

**7** $ 3,967.97

Total value of all benefits from Box F, $30,611.80 less $190.64 (low interest loan exempt for GST) = $30,421.16 × 3 ÷ 23 = GST payable

**Tax to pay or refund**
If Box 7 is nil, copy the amount in Box 6 to **Box 8**. If Box 6 is FBT to pay, **add** Box 7.
Show your tax to pay in **Box 8**. If Box 6 is an FBT refund, **subtract** Box 7.

**8** $ 13,555.54

(Tick one) **Tax to pay** ✓ **Refund** [ ]

*OFFICE USE ONLY*
Correspondence indicator [ ]

**Declaration**
*I declare that the information given in this return is true and correct.*

Signature L.McDell xx / xx / xx
Date

**Please make a copy of this return for your own records**

# Completing FBT return for quarter 4

The quarter 4 return is completed in the same way as the previous 3 quarters, but instead of completing section B, you complete section C.

If you chose the single rate in each of the 3 previous quarters you can either:

- pay FBT at 63.93%, or
- complete the alternate rate calculations in the quarter 4 using either the full or short form calculation.

If you chose the alternate rate in any of the 3 previous quarters, you must complete the alternate rate calculations in quarter 4 using either the full or short form calculation..

## Annual and income year returns

If you're completing annual or income year returns you may choose from the following options:

1. Pay FBT at 63.93% of the taxable value of the benefits provided.
2. Complete the alternate rate calculations using either the full or short form calculation.

## If you permanently stop employing staff

If you've permanently stopped paying wages, call us on 0800 377 772 to let us know, even if your business is still going.

## Your final FBT return when you stop employing staff, and providing fringe benefits

If this is your final FBT return, and you do not intend to employ any more staff in the same income year, complete sections A, C and D in the quarter you stopped employing (quarterly filers only). Where you're asked to indicate if the return is for quarter 4 on the IR420 there's no need to tick either box.

You can cancel your FBT registration in myIR. Go to the FBT account, select 'more' then 'cancel account' or you can send us a message from myIR. If you are filing paper returns please write 'final return' next to the boxes.

***Note***

If you're still providing fringe benefits to former employees, you must continue to pay FBT on these benefits.

## Options for completing your final return

You can complete your final return using 1 of the following options:

- the single rate of 63.93% - available only if you've used the single rate in all other quarterly returns from 1 April
- the full alternate rate calculation process
- pooled alternate rate calculation
- the short form alternate rate calculation process.

***Note***

Where the alternate rate option is elected outside of quarter 4, we may contact you to confirm this is your final FBT return.

## Extended due date for final return

If you're filing your final FBT return in quarters 1, 2 or 3, your due date is extended to the end of 2 months immediately following the end of the quarter you stop employing. If you file paper returns, the due date will show the original return due date.

The return periods and extended due dates for the returns and payments are as follows:

| Return period | Extended due date | Due date shown on return |
|---|---|---|
| 1 April to 30 June (quarter 1) | 31 August | 20 July |
| 1 July to 30 September (quarter 2) | 30 November | 20 October |
| 1 October to 31 December (quarter 3) | 28 February | 20 January |

## If you're still employing staff but stop providing fringe benefits

If you stopped providing fringe benefits partway through the year, you're required to continue filing FBT returns until the end of that income year.

If you are not intending to provide fringe benefits in the future, you need to let us know, call us on 0800 377 772 or send us a message in myIR, during quarter 4. The change takes effect from the beginning of the next tax year (1 April).

# Shareholder-employee remuneration or attributed income not known in quarter 4

You can apply either the 49.25% or 63.93% FBT rate to the value of the attributed benefits in your quarter 4 return. If you use the 49.25% rate, you must complete the alternate rate calculation in next year's return. If you use 63.93%, you do not need to do any further calculations in the next year.

To calculate FBT payable for shareholder-employees or persons receiving attributed income, where the remuneration details are not known, the fringe benefit-inclusive cash remuneration (FBICR) is the annual amount of the attributed fringe benefit provided. The 49.25% or 63.93% FBT rate is applied to this amount.

If you use the 49.25%, keep the following information for your next year's FBT calculation payable for each shareholder-employee and person receiving attributed income:

- total attributed benefits provided for the year
- the amount of FBT payable for the year on the taxable value of those attributed benefits.

### Remuneration adjustment

Our remuneration adjustment worksheet (see page 38) may help when you need to make a remuneration adjustment.

This adjustment is required when:

- full remuneration or attributed income details for the shareholder-employees (or those receiving attributed income) were not known at the time of completing last year's quarter 4 or annual return, and
- you elected the 49.25% rate.

# Attributed and non-attributed benefits

## Attributing fringe benefits

You must attribute the fringe benefits to individual employees receiving them if you have chosen the alternate rate calculation.

This table shows the rules applying to the different categories of benefits.

| Benefit category | Threshold | Attributed | Non-attributed |
|---|---|---|---|
| Motor vehicles | - | Attributed | Pooled vehicles - if the motor vehicle has been made available to more than 1 employee, and you cannot determine the main employee receiving the benefit, treat it as a non-attributed benefit. |
| Low-interest loans | - | Attributed | Loans by life insurers to life insurance policy holders are classified as pooled fringe benefits and are treated as a non-attributed benefit. |
| Subsidised transport | $1,000 | Attributed when the annual taxable value is $1,000 or more per employee. | Non-attributed if the annual taxable value is less than $1,000 per employee.* |
| | | Exception: May be pooled (non-attributed) if all employees have the same or similar entitlement to the benefit. | |
| Employer contributions to sickness, accident, death funds or funeral trusts | $1,000 | Attributed if the annual taxable value is $1,000 or more per employee. | Non-attributed if the annual taxable value is less than $1,000 per employee.* |
| Employer contributions life insurance, pension insurance, personal accident or sickness insurance policy or insurance funds of friendly societies | $1,000 | Attributed if the annual taxable value is $1,000 or more per employee. | Non-attributed if the annual taxable value is less than $1,000 per employee.* |
| Employer contributions to any superannuation scheme where Employer superannuation contribution tax (ESCT) does not apply | $1,000 | Attributed if the annual taxable value is $1,000 or more per employee. | Non-attributed if the annual taxable value is less than $1,000 per employee.* |
| Any other benefit of any kind (such as gifts, prizes and discounted goods and services) | $2,000 | Attributed if the annual taxable value is $2,000 or more per employee.† | Non-attributed if the annual taxable value is less than $2,000 per employee.* |

* Employers can choose to attribute all benefits within a category regardless of the category thresholds.

† This is the total value of all types of benefits provided to an employee within this category.

You can choose to attribute benefits when the total value of a benefit, within a category for an employee is below the stated threshold.

However, if you choose to do this for 1 employee within a category, you must attribute all benefits in that category to all employees receiving them.

## Non-attributed benefits

The rate of 49.25% applies to pooled or shared fringe benefits not attributed to an individual employee (such as a motor vehicle where no 1 employee has principal use of that vehicle). The 63.93% rate applies if a major shareholder-employee, or their associated person (where the fringe benefit is not received as an employee), is 1 of the recipients of the non-attributed benefit.

A major shareholder-employee is a person who owns or controls or has the right to acquire 10% or more of the ordinary shares, voting rights or control of a close company and is also an employee of that company.

You may create 2 pools and allocate non-attributed benefits to each pool according to whether a recipient of the benefit is a major shareholder-employee or their associated person.

## Treatment of non-attributed benefits

Non-attributed benefits provided to employees, including major shareholder-employees who can be individually identified are taxed at:

- 49.25% for non-attributed benefits provided to ordinary employees
- 63.93% for non-attributed benefits provided to major shareholder-employees.

**Example**

DSC Ltd pays the annual gym membership of $750 each for 5 specified employees and 1 major shareholder-employee. DSC Ltd pays FBT as follows:

5 × $750 = $3,750 @ 49.25%

1 × $750 = $750 @ 63.93%

If a major shareholder-employee is 1 of the recipients of non-attributed benefits that cannot be assigned, all non-attributed benefits provided against this category are taxed at a rate of 63.93%.

**Note**

In quarter 4, check the non-attributed benefits to make sure the annual taxable value of employee benefits in a category is less than the thresholds (see the table for attributing fringe benefits) on page 31.

The following table has 3 examples showing how to apply the rules when attributing and non-attributing benefits.

Key: (A) attributed benefit (N) non-attributed benefit

| Benefit category | Threshold | Example 1<br>Employer 1 chooses to attribute only those benefits more than the category thresholds | Example 2<br>Employer 2 chooses to attribute all benefits | Example 3<br>Employer 3 chooses to attribute all benefits except any other benefit of any other kind † |
|---|---|---|---|---|
| Motor vehicles | - | Employee A $4,000 (A)*<br>Employee B -<br>Employee C - | Employee A $4,000 (A)*<br>Employee B -<br>Employee C $6,200 (A)* | Employee A -<br>Employee B $4,500 (A)*<br>Employee C $8,600 (A)* |
| Low-interest loans | - | Employee A -<br>Employee B -<br>Employee C - | Employee A -<br>Employee B -<br>Employee C - | Employee A $3,000 (A)<br>Employee B -<br>Employee C $5,000 (A) |
| Subsidised transport | $1,000 | Employee A -<br>Employee B -<br>Employee C - | Employee A -<br>Employee B -<br>Employee C - | Employee A -<br>Employee B -<br>Employee C - |
| Employer contributions to sickness, accident, death funds or funeral trusts | $1,000 | Employee A $1,800 (A)**<br>Employee B $500 (N)<br>Employee C $500 (N) | Employee A -<br>Employee B -<br>Employee C - | Employee A $1,500 (A)<br>Employee B $600 (A)<br>Employee C $950 (A) |
| Employer contributions to specified insurance funds of friendly societies | $1,000 | Employee A -<br>Employee B -<br>Employee C - | Employee A $750 (A)<br>Employee B $750 (A)<br>Employee C $750 (A) | Employee A -<br>Employee B -<br>Employee C - |
| Employer contributions to any superannuation scheme (where ESCT does not apply) | $1,000 | Employee A -<br>Employee B -<br>Employee C - | Employee A -<br>Employee B -<br>Employee C - | Employee A $1,100 (A)<br>Employee B $2,000 (A)<br>Employee C $850 (A) |
| Any other benefit of any kind (such as gifts, prizes and discounted goods and services) | $2,000 | Employee A $1,000 (N)<br>Employee B $550 (N)<br>Employee C $700 (N) | Employee A $300 (A)<br>Employee B $1,500 (A)<br>Employee C $2,500 (A) | Employee A $2,500 (A)<br>Employee B $150 (N)<br>Employee C $120 (N)<br>Employer has chosen not to attribute benefits under the threshold |

† If you choose to attribute 1 employee's benefit in a category and it's under the threshold, every other benefit in that category must be attributed to the employee who received it. Example 2 'Any other benefit of any kind', shows the $300 benefit has been attributed, so all the benefits in this category must be attributed. Example 3 is an example where the employer has chosen to voluntarily attribute all benefits within all the categories except for 'Any other benefit of any kind'. In this category only those benefits received by 'Employee A' are required to be attributed as they exceed $2,000 in value.

* Principal usage

** More than the threshold of $1,000

Inland Revenue
Te Tari Taake

# FBT alternate rate calculation sheet – quarterly returns

**IR417**
July 2024

**Employer's details** **Name** Audis on Anglesey Ltd **IRD number** 1 2 3 4 5 6 7 8
(8 digit numbers start in the second box. 1 2 3 4 5 6 7 8)

- Transfer totals from your IR427
- Keep calculation sheets for your own records
- Use the **Fringe benefit tax guide - IR409** to help complete your return.

**Employees' taxable benefits**

| 1 Employee's name (Tick for shareholder-employees, pooled vehicles, and non-attributed benefits*) | ✓ | 2 Employee's income (for example, wages, salary) | 3 Tax on employee's income (column 2) | 4 Net income (column 2 minus column 3 - whole dollars only) | 5 Fringe benefit total taxable value (box F from each quarter IR427 - total benefit - whole dollars only) | | 6 Fringe benefit-inclusive cash remuneration (FBICR) (column 4 plus total benefit column 5) | 7 Tax on FBICR* (column 6) | 8 FBT on net income* (column 4) | 9 FBT payable (column 7 minus column 8) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Quarter 1 | $ 1,272.00 | | | | |
| | | | | | Quarter 2 | $ 1,272.00 | | | | |
| | | | | | Quarter 3 | $ 1,177.00 | | | | |
| | | | | | Quarter 4 | $ 1,272.00 | | | | |
| Bob | ✓ | $ 78,333.33 | $ 16,072.40 | $ 62,260.00 | **Total benefit**** | $ 4,993.00 | $ 67,253.00 | $ 19,571.55 | $ 17,112.50 | $ 2,459.05 |
| | | | | | Quarter 1 | $ 1,250.00 | | | | |
| | | | | | Quarter 2 | $ 1,250.00 | | | | |
| | | | | | Quarter 3 | $ 1,250.00 | | | | |
| | | | | | Quarter 4 | $ 1,250.00 | | | | |
| Jim | | $ 54,000.00 | $ 8,685.32 | $ 45,314.00 | **Total benefit**** | $ 5,000.00 | $ 50,314.00 | $ 11,591.44 | $ 9,448.15 | $ 2,143.29 |
| | | | | | Quarter 1 | $ 5,000.00 | | | | |
| | | | | | Quarter 2 | $ 4,000.00 | | | | |
| | | | | | Quarter 3 | $ 2,000.00 | | | | |
| | | | | | Quarter 4 | $ 3,980.00 | | | | |
| Zac | ✓ | $ 178,500.00 | $ 49,127.51 | $ 129,372.00 | **Total benefit**** | $ 14,980.00 | $ 144,352.00 | $ 59,696.66 | $ 50,165.16 | $ 9,531.50 |
| | | | | | Quarter 1 | $ | | | | |
| | | | | | Quarter 2 | $ | | | | |
| | | | | | Quarter 3 | $ 4,500.00 | | | | |
| | | | | | Quarter 4 | $ 4,500.00 | | | | |
| Non-attributed benefits (49.25%) | ✓ | $ | $ | $ | **Total benefit**** | $ 9,000.00 | $ | $ 49.25 | $ | $ 4,432.50 |
| | | | | | Quarter 1 | $ 4,740.00 | | | | |
| | | | | | Quarter 2 | $ 4,740.00 | | | | |
| | | | | | Quarter 3 | $ | | | | |
| | | | | | Quarter 4 | $ 4,740.00 | | | | |
| Pooled vehicles -49.25% | ✓ | $ | $ | $ | **Total benefit**** | $ 14,220.00 | $ | $ 49.25 | $ | $ 7,003.35 |

**If you have more employees, complete another form and combine the totals to transfer to your FBT return.**

* FBT rate for pooled vehicles and non-attributed benefits
- 49.25% from 2021 income year
- 42.86% for all years before 2021 income year.

FBT rate for pooled vehicles and non-attributed benefits to major shareholder-employees or associates who are not employees
- 63.93% from 2021 income year
- 49.25% for years before 2021 income year.

** Add FBT quarterly amounts and show the total in whole dollars

✶ Use the rates in table 3 of the **Fringe benefit tax guide – IR409** (page 35) to calculate the Tax on FBICR and FBT on net income.

| | | |
|---|---|---|
| **Total fringe benefit payable for the year** | A | $ 25,569.69 |
| **Less total fringe benefit tax assessed for quarters 1-3** (30 June, 30 September, 31 December) | B | $ 15,982.12 |
| **Subtract box B from box A** | C | $ 9,587.57 |

**Total fringe benefit tax**
(tick refund or tax to pay)

Refund ☐
Tax to pay ✓

**Transfer box C amount to box 6 of your quarter 4 (or final) FBT return**

RESET form

# Completing quarter 4, income or annual year full alternate rate calculations

**Note**

Final FBT returns – the information in this section also applies if you have stopped employing staff and or providing fringe benefits in quarter 2 or 3. If you stopped providing fringe benefits in quarter 1 use the rates in table 2.

The following examples use the FBT rate for the year ending 31 March 2025.

- **FBT alternate rate calculation sheet - quarterly returns - IR417**
- **FBT alternate rate calculation sheet - income year return - IR418**
- **FBT alternate rate calculation sheet - annual return - IR419**

## Column 1 - Employee's name or non-attributed benefits

**Note**

The alternate rate calculator works out your FBT and you can print or save the result schedule to keep with your FBT records. If you use our alternate rate calculator you do not need to complete the alternate rate calculation sheet. Go to **ird.govt.nz/alternate-rate-calculator**

In column 1, enter the names of all employees you attributed benefits to during the year. If you supply several benefits to your employees, you only need to enter the employee's name once. This information is on the FBT taxable value calculation sheets for each of the 4 quarters.

If you have not already identified attributed benefits this will be your 1st step in completing the alternate rate calculation.

If the benefits provided were any pooled vehicles or non-attributed benefits, enter this as a separate heading after all the employees who received attributed benefits in column 1.

Use a separate line for non-attributed benefits to major shareholder-employees.

If you provide benefits to shareholder-employees make

sure you tick the box on the quarterly IR417 beside the shareholder-employee's name.

**Note**

You do not need to complete columns 2 to 4 for non-attributed benefits as they are taxed at flat FBT rates.

## Column 2 - Employee's income (cash remuneration)

In column 2, enter the total cash remuneration paid to each employee for the year ended 31 March. For major shareholder-employees, also include all interest and dividend payments received from you for the year. Show this amount as whole dollars. This will be zero for non-attributed benefits.

## Column 3 - Tax on employee's income

Income thresholds have changed from 31 July 2024.

Use the amounts and rates in Tax on income threshold table 1 if you are filing your:

- quarter 4 return
- income or annual year return
- a final return for quarters 2, 3 or 4

If you're filing a final quarter 1 return use the rates in table 2.

### Tax on income threshold table 1

| Income thresholds | Accumulative income tax brackets | Income tax rate |
|---|---|---|
| $0 - $14,000 | $1,470.00 | 10.50% |
| $14,001 - $15,600 | $1,675.12 | 12.82% |
| $15,601 - $48,000 | $7,345.12 | 17.50% |
| $48,001 - $53,500 | $8,535.32 | 21.64% |
| $53,501 - $70,000 | $13,485.32 | 30.00% |
| $70,001 - $78,100 | $15,995.51 | 30.99% |
| $78,101 - $180,000 | $49,622.51 | 33.00% |
| $180,001 upwards | | 39.00% |

***Example***

Employee's gross salary or wages income is $78,333
$78,333 - $78100 = $233

| | |
|---|---|
| Tax on $78,100 | $15,995.51 |
| Plus tax on $233 x 33% | $ 76.89 |
| Tax on employee's income | $16,072.40 |

### Tax on income threshold table 2

| Income thresholds | Accumulative income tax brackets | Income tax rate |
|---|---|---|
| $0 - $14,000 | $1,470.00 | 10.50% |
| $14,001 - $48,000 | $7,420.00 | 17.50% |
| $48,001 - $70,000 | $14,020.00 | 30.00% |
| $70,001 - $180,000 | $50,320.00 | 33.00% |
| $180,001 upwards | | 39.00% |

## Column 4 - Net income

For each employee, subtract the tax on employee's income (amount in column 3) from the employee's income amount in column 2. This is the employee's net income. Enter this total in column 4.

***Example***

| | |
|---|---|
| Based on table 1 | |
| Employee's income | $78,333.00 |
| Less tax on employee's income | $16,072.40 |
| Net income | $62,260.60 |

## Column 5 - Fringe benefit total taxable value

***Note***

The fringe benefit total taxable value is the amount of benefit provided to your employee, not the amount of FBT you have paid from your quarterly FBT returns during the year.

### Quarterly filers

Complete each quarter in column 5 for the employee, shareholder-employee or person receiving attributed income.

Add the amounts from the 4 quarters. This is the total benefit.

***Example***

| | |
|---|---|
| Employee's fringe benefit amounts for each quarter | |
| Quarter 1 | $1,272.00 |
| Quarter 2 | $1,272.00 |
| Quarter 3 | $1,177.00 |
| Quarter 4 | $1,272.00 |
| Total benefit | $4,993.00 |

For non-attributed benefits, refer to the IR427 FBT taxable value calculation sheets. Enter non-attributed benefits and pooled benefits (such as motor vehicles) in column 5 for each quarter.

## Income and annual year filers

For income year filers, transfer the amount from box E of your IR428 (FBT taxable value calculation sheet – income year).

For annual year filers, transfer the amount from box E of your IR429 (FBT taxable value calculation sheet – annual year).

The combined total from all employees should be the same as the taxable value shown on box 3 of your IR421 (income year) or IR422 (annual year) FBT return.

***Note***

You do not need to attribute certain benefits if they are under the threshold for their category.

## Column 6 - Fringe benefit-inclusive cash remuneration (FBICR)

For each employee add the total fringe benefit to the net income from column 4 and enter the amount in whole dollars in column 6. For employees this is the FBICR.

***Example***

| | |
|---|---|
| Total benefit amount | $ 4,993.00 |
| Employee's net income | $62,260.60 |
| FBICR | $67,253.60 |

For shareholder-employees or persons receiving attributed income, where all their remuneration is not known at the time of completing this return, the FBICR is the annual total of attributed benefits provided to the individual shareholder-employee or person receiving attributed income.

## Column 7 – Tax on FBICR

Use the fringe benefits tax rates in table 3 to work out the amount of tax on the employee's fringe benefit-inclusive cash remuneration.

### Fringe benefit tax rates table 3

| Fringe benefit inclusive cash remuneration | Accumulative FBT brackets | FBT tax rate |
|---|---|---|
| $0 - $12,530 | **$1,469.76** | 11.73% |
| $12,531 - $40,580 | **$7,419.16** | 21.21% |
| $40,581 - $55,980 | **$14,019.60** | 42.86% |
| $55,981 - $129,680 | **$50,316.85** | 49.25% |
| $129,681 upwards | | 63.93% |

***Example***

Employee's FBICR amount $67,253 (whole dollars)
$67,253 - $55,980 = $11,273

| | |
|---|---|
| Tax on $55,980 | $14,019.60 |
| Plus tax on $11,273 x 49.25% | $ 5,551.95 |
| Tax on FBICR | $$19,571.55 |

## Column 8 - FBT on net income

Calculate the tax on employee's net income from column 4 using FBICR rates in table 3.

***Example***

| | |
|---|---|
| Employee's net income amount $62,260 | |
| $62,260 - $55,980 = $6280 | |
| Tax on $55,980 | $14,019.60 |
| Plus tax on $6280 x 49.25% | $ 3,092.60 |
| Tax on remuneration | $17,112.50 |

*Example*

| | |
|---|---|
| Tax on remuneration (FBICR) | $19,573.55 |
| Less tax on net income | $17,112.50 |
| FBT payable | $ 2,459.05 |

## Non-attributed benefits

The FBT rate of 49.25% applies to fringe benefits that are not attributed to an individual employee. The rate of 63.93% applies to major shareholder-employees.

Employers providing non-attributed benefits can have 2 pools for benefits provided for:

- major shareholder-employees or associates
- ordinary employees

## Column 7 and 8 - remuneration not known

This step does not have to be completed for shareholder-employees or persons receiving attributed income, where their remuneration is not known at the time of completing this return. In this column enter the rate of FBT being applied to these benefits, either 49.25% or 63.93%

## Column 9 - FBT payable for the year

Column 9 is the annual amount of FBT payable for attributed and non-attributed benefits.

### Attributed benefits

To calculate the amount of FBT payable in a year for each employee on their attributed benefits, take the total from column 6 (tax on FBICR) and subtract the total in column 8 tax on net income (see above example).

The FBT rate applies to the combined total of all attributed fringe benefits provided to a shareholder-employee or a person receiving attributed income.

### Income not known at time of filing

Where the income for a shareholder-employee or person receiving attributed income is not known at the time of completing the FBT return, you can use either 49.25% or 63.25%.

Multiply the total fringe benefit amount (column 5) by chosen rate and enter the value in column 9. Make a note of the rate you used.

### Non-attributed benefits

The rate of 49.25% applies to pooled fringe benefits not attributed to an individual employee. The 63.93% rate applies to non-attributed benefits where 1 or more of the recipients is a major shareholder-employee or an associate of a major shareholder-employee.

Calculate the FBT payable for the year by multiplying your total in column 5 by the applicable rate and enter the amount in column 9. Make a note of the rate used.

## Box A - Total FBT to pay

Add up column 9 and enter the total in box A.

- If you're a quarterly filer, box A is your FBT payable for the year. Continue to box B.
- If you file income or annual year returns, box A is your FBT payable. Copy this amount to box 5 of your return (IR421 income year or IR422 annual year).

*Note*

If full remuneration or attributed income details for shareholder-employees were not know at the time of completing last year's annual or quarter 4 return and you used the 49.25% rate, copy this amount to the remuneration adjustment worksheet on page 39. See the example on page 38.

## Box B - FBT assessed in quarters 1 to 3 (quarterly filers only)

In box B, enter the total amount of FBT assessed in quarters 1 to 3 (June, September, December - box 8 of your IR420 FBT return, tax to pay or refund).

## Box C - Total FBT to pay or refund due (quarterly filers only)

In box C, enter the difference between box A and box B. This amount is the quarter 4 FBT payable or refundable. Tick whether a payment or refund is due.

This is the amount to copy to box 6 on your quarter 4 FBT return. If full remuneration or attributed income details for shareholder-employees were not known at the time of completing last year's income year or quarter 4 return and you used the 49.25% rate, copy this amount to the remuneration adjustment sheet (page 39).

## Putting it all together

*Example*

### For quarter 4 - 1 January 2025 to 31 March 2025

Mary the office manager from Audis on Anglessey Ltd has chosen the full alternate rate option for quarter 4.

Each employee is added to the IR417 FBT alternate rate calculation sheet. This is the calculation for Zac.

Mary looks up Zac's annual wage income from her wage records and enters this in column 2 and calculates the amount of tax payable for the year:

| | | | |
|---|---|---|---|
| **2** | Zac's employee income | | $178,500.00 |
| **Calculate tax on employee's income** (using table 1) | | | |
| $178,500 - $78,100 = $100,400 (amount over threshold) | | | |
| Tax on $78,100 | | $15,995.51 | |
| Tax on $100,400 x 33.00% | | $33,132.00 | |
| **3** | Tax on employee's income | | $ 49,127.51 |
| **4** | Net income (step 2 minus step 3) | | $129,372.49 |
| **5** | Add total fringe benefits for the year | | $ 14,980.00 |
| **6** | FBICR (step 4 plus step 5) | | $144,352.49 |
| **Calculate tax on FBICR** (step 6 using FBT rates in table 3) | | | |
| $144,352 - $129,680 = $14,672.49 (amount over threshold) | | | |
| Tax on $129,680 | | $50,316.85 | |
| Tax on $14,672 x 63.93% | | $ 9,379.80 | |
| **7** | Tax on FBICR | | $59,696.65 |
| **Calculate tax on net income** (step 4 using FBT rates in table 3) | | | |
| $129,372 - $55,980 = $73,392 (amount over threshold) | | | |
| Tax on $55,980 | | $14,019.60 | |
| Tax on $73,392 x 49.25% | | $36,145.56 | |
| **8** | Tax on net income | | $50,165.16 |
| **FBT payable** (step 7 minus step 8) | | | |
| **9** | $59,696.65 - $50,165.16 = | | **$9,531.49** |

# Completing calculations – shareholder-employees or persons receiving attributed income

If you have the remuneration details for shareholder-employees and/or other persons receiving attributed income, you can complete your calculations for your quarter 4 return.

If remuneration details are not known, complete the return using either the 63.93% or 49.25% FBT rate.

## Using the flat rate of 63.93%

If you choose this option, you pay FBT of 63.93% on all benefits provided during the year, for employees, shareholder-employees and any other person receiving attributed income.

The 63.93% rate is a full and final calculation, this means you cannot make any adjustment later

***Example***

Sue is a shareholder employee of DSC Limited. Sue's remuneration details are not known when the company completes their quarter 4 return. DSC Limited uses the flat rate of 63.93%, as Sue's cash remuneration for the year is likely to be more than $180,000.

The taxable value of Sue's attributed benefits is $6,989.

$6,989 x 63.93% = $4,468.06

DSC Limited enters $4,468.06 in column 9 of the FBT alternate rate calculation sheet. They do not need to make any adjustment in next year's FBT return.

## Using the flat rate of 49.25%

You can use 49.25% rate for employees, shareholder-employees and any other person receiving attributed income in the year, where the remuneration details are not known.

If you choose this option, you will need to adjust the FBT payable on the actual remuneration received when this is confirmed. The adjustment is made when you complete the next year's quarter 4, income or annual year return.

***Example***

John is a shareholder employee of XYZ Limited. John's remuneration details were not known when XYZ Limited completed their quarter 4 return. XYZ Ltd used the flat rate of 49.25% to calculate the FBT to pay.

The taxable value of John's attributed benefits for the year was $14,980.00

**Quarter 4 for last year:**

| | |
|---|---|
| $14,980 x 49.25% | $7,377.65 |
| Less FBT paid in quarters 1, 2 and 3 | $4,064.92 |
| FBT to pay in quarter 4 | $3,312.73 |

***Example***

The next year XYZ Limited completes the alternate rate calculation to adjust the FBT payable on John's actual remuneration for last year.

**FBT adjustment in next year's quarter 4 return**

| | |
|---|---|
| John's total cash remuneration for last year | $178,500.00 |
| FBT on attributed benefits from last year* | $9,531.49 |
| Less FBT payable in last year | $7,377.65 |
| FBT adjustment required for quarter 4 | $2,153.84 |

XYZ Limited adds $2,153.84 to the total amount payable for the quarter 4 return to adjust for the FBT last year

* See example page 38 for actual calculations.

***Note***

Copy the remuneration adjustment form from page 39.

# Remuneration adjustment worksheet for XYZ Ltd

## *Remuneration adjustment sheet*

| 1 Employee's name | 2 Last year's income (salary, wages, dividends) | 3 Tax on income | 4 Net income | 5 Fringe benefit from last year | 6 Fringe benefit-inclusive cash remuneration (FBICR) (column 4 plus column 5) | 7 Tax on FBICR (column 6) | 8 FBT payable for last year (column 7 minus column 3) | 9 FBT paid for employee in last year | 10 Adjustment required (column 8 minus column 9 - show credits in brackets) |
|---|---|---|---|---|---|---|---|---|---|
| John | $ 178,500·00 | $ 49,127·51 | $ 129 372·49 | $ 14,980·00 | $ 144,352·49 | $ 59,696·65 | $ 10,568·98 | $ 7,377·65 | $ 3,191·33 |
| | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · |
| | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · |
| | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · |
| | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · |
| | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · |
| | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · |
| | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · |
| | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · |
| | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · |
| | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · |
| | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · | $ · |

### Fringe benefit tax to pay or refund

**A1 is a debit**
If B1 is a refund subtract from A1 amount.
- B1 is more than A1 the result is an FBT refund
- A1 is more than B1 the result is FBT to pay.
- Enter the result in C1.

**A1 is a credit**
If B1 is FBT to pay subtract from A1 amount.
- B1 is more than A1 the result is FBT to pay
- A1 is more than B1 the result is an FBT refund
- B1 is an FBT refund, add the amount to A1, the result is an FBT refund.
- Enter the result in C1.

Make sure to tick FBT to pay or FBT refund if your file IR420 quarterly FBT returns.

**Total column 10** **A1** $ 3,191·33

Debit ✓ Credit ○

**Box C from FBT alternate rate calculation** **B1** $ ·

Refund ○ Tax to pay ○

**FBT to pay or refund C1** **C1** $ ·

Transfer the amount in box C1 to the FBT return:
- Box 6 for quarter 4 or a final IR420 return
- Box 5 for income year IR421 return Refund Tax to pay

Refund ○ Tax to pay ○

**Note:** Columns 3 and 7 are based on the income thresholds and tax rates from 31 July 2024

## *Remuneration adjustment sheet*

| 1 Employee's name | 2 Last year's income (salary, wages, dividends) | 3 Tax on income | 4 Net income | 5 Fringe benefit from last year | 6 Fringe benefit-inclusive cash remuneration (FBICR) (column 4 plus column 5) | 7 Tax on FBICR (column 6) | 8 FBT payable for last year (column 7 minus column 3) | 9 FBT paid for employee in last year | 10 Adjustment required (column 8 minus column 9 - show credits in brackets) |
|---|---|---|---|---|---|---|---|---|---|
| | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . |
| | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . |
| | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . |
| | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . |
| | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . |
| | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . |
| | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . |
| | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . |
| | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . |
| | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . |
| | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . |
| | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . | $ . |

### Fringe benefit tax to pay or refund

**A1 is a debit**

If B1 is a refund subtract from A1 amount.

- B1 is more than A1 the result is an FBT refund
- A1 is more than B1 the result is FBT to pay.
- Enter the result in C1.

**A1 is a credit**

If B1 is FBT to pay subtract from A1 amount.

- B1 is more than A1 the result is FBT to pay
- A1 is more than B1 the result is an FBT refund
- B1 is an FBT refund, add the amount to A1, the result is an FBT refund.
- Enter the result in C1.

Make sure to tick FBT to pay or FBT refund if your file IR420 quarterly FBT returns.

**Total column 10** **A1** $ .

Debit ◯ Credit ◯

**Box C from FBT alternate rate calculation** **B1** $ .

Refund ◯ Tax to pay ◯

**FBT to pay or refund C1** **C1** $ .

Refund ◯ Tax to pay ◯

Transfer the amount in box C1 to the FBT return:

- Box 6 for quarter 4 or a final IR420 return
- Box 5 for income year IR421 return Refund Tax to pay

## Completing a quarter 4 short form alternate rate calculation

If you use this option you're still required to classify attributed or non-attributed benefits.

The rates are:

- attributed benefits use the flat rate of 63.93%
- non-attributed benefits use the flat rate of 49.25% (or 63.93% in the case of non-attributed benefits provided where 1 or more recipients are major shareholder-employees).

For non-attributed benefits it may be necessary to have 2 pools.

If you mainly provide attributed benefits to employees who earn more than $180,000 gross equivalent, this option may work for you.

**Completing your alternate rate calculation (IR417, IR418 or IR419)**

If you choose the short form option, complete the alternate rate calculation sheet as follows:

- **Column 1** – enter a separate line with attributed benefits and non-attributed benefits (if applicable).
- **Columns 2 to 4** – leave these blank for both lines.
- **Column 5** – Fringe benefit total taxable value

  For income and annual year return filers, enter the total amount of attributed or non-attributed.

  For quarterly return filers show the values from quarter 1, 2, 3 and 4 and the **total benefit** amount in column 5 (fringe benefit total taxable value).
- **Column 6** – leave this blank.
- **Column 7** – Tax on FBICR

  Enter the rate you're using to calculate FBT payable (49.25% or 63.93%.
- **Column 9** – multiply column 5 by the rate used in column 7 and enter the total in column 9.
- **Box A** – add the total of column 9 and enter the amount in box A.

  **Income and annual year filers** – transfer the amount in box A to box 5 of your FBT return.

  **Quarterly filers** - complete
  - Box B (FBT assessed for quarters 1, 2 and 3) and subtract this from box A.
  - Enter the amount in box C. FBT to refund of pay.
  - Copy box C to box 6 of your FBT return.

***Note***

If full remuneration or attributed income details for shareholder-employees were not know at the time of completing last year's annual or quarter 4 return and you used the 49.25% rate, copy this amount to the remuneration adjustment worksheet on page 39. See the example on page 38.

***Example***

DSC Limited is using the short form alternate rate option.

**Line 1 attributed benefits**

- **Column 5 fringe benefit total taxable value**

| | |
|---|---|
| Quarter 1 | $930.00 |
| Quarter 2 | $930.00 |
| Quarter 3 | $930.00 |
| Quarter 4 | $5,505.00 |
| Total Fringe benefit | $8,295.00 |

- **Column 7** – 63.93% (FBT rate)
- **Column 9**
  $8,295 x 63.93% = $5,302.99

**Line 2 non-attributed benefits**

| | |
|---|---|
| Quarter 1 | $212.50 |
| Quarter 2 | $212.50 |
| Quarter 3 | $212.50 |
| Quarter 4 | $212.50 |
| Total Fringe benefit | $850.00 |

- **Column 7** – 49.25% (FBT rate)
- **Column 9**
  $850.00 x 49.25% = $418.62
- **Box A**
  Total fringe benefit payable for year
  $5,302.99 + $850.00 $5,721.62
- **Box B**
  Less fringe benefit tax assessed for Q 1-3 $3,637.26
- **Box C**
  Total fringe benefit tax to pay $2,084.36

Transfer box C to box 6 of the IR420 quarterly FBT return.

## Completing a quarter 4 pooled alternate rate calculation

If you use this option, you're still required to classify attributed or non-attributed benefits.

**Attributed benefits**

For benefits attributed to an employee use the flat rate of either 49.25% or 63.93%, depending on your employee's pay and the value of benefits attributed to them.

- For benefits attributed to employees who earn up to $160,000 in gross equivalent pay, and up to $13,400 each in attributed benefits for the year, use 49.25% flat rate.
- Benefits attributed to employees earning more than $160,000 gross equivalent pay or more than $13,400 each in attributed benefits for the year, use the 63.93% rate.
- If you have an employee receiving more than $13,400 in attributed benefits but their all-inclusive pay is less than $129,681, you can use the 49.25% rate for those employees.

If you have some employees with all-inclusive pay below $129,681 and some whose pay is $129,681 or more, 2 pools for attributed benefits may be required for 49.25% and 63.93% rates to be used.

**Non-attributed benefits**

All non-attributed benefits use either the flat rate of 49.25% or 63.93% if you have 1 or more major shareholder-employee recipients.

You can use 2 pools for non-attributed benefits if you use 63.93% for just your major shareholder employees and want to use 49.25% for everyone else.

**Completing your alternate rate calculation for pooled benefits**

If you have both attributed and non-attributed pooled benefits, complete your alternate rate calculations as follows:

**Column 1** – enter a separate line for each pool you need to use:

- Attributed benefits pool - 49.25%
- Attributed benefits pool - 63.93%
- Non-attributed benefits pool - 49.25%
- Non-attributed benefits pool - 63.93%
- Pooled vehicles - 49.25%

*Note*

Tick the box if you provide attributed or non-attributed benefits to any shareholder-employees in the 63.93% pools.

**Columns 2 to 9 and box A, B and C**

Follow the instructions from column 2, listed on page 34, to complete the rest of your calculations.

*Note*

If full remuneration or attributed income details for shareholder-employees were not known at the time of completing last year's annual or quarter 4 return and you used the 49.25% rate, copy this amount to the remuneration adjustment worksheet on page 39. See the example on page 38.

*Example*

SLS Limited files quarterly FBT returns using the pooled method for attributed benefits.

- SLS Limited provide a subsidised transport fringe benefit totalling $5,000 each quarter to all their employees ($20,000 for the year).
- No employee receives more than $1,000 in attributed benefits.
- There are no non-attributed benefits provided
- There are no shareholder-employees.

SLS Limited used the pooled alternate rate option of 49.25% for all employees during the first 3 quarters of the year as they expected all their employees' salaries to be below the $160,000.

In the last quarter 1 of their employee's (Ben) got a $15,000 bonus, increasing his total salary to $175,000.

Because Ben's salary is more than $160,000 for the year, his attributed benefit must be taxed using 63.93%.

SLS Limited must do an alternate rate calculation for quarter 4.

*Example*

SLS Limited chose to use 49.25% for quarters 1, 2 and 3 for all their employees. They have already included $15,000 of attributed benefits using 49.25% ($5,000 each quarter) and paid FBT totalling $7,387.50.

Because Ben's salary is over $160,000 they calculate the FBT payable in quarter 4 as follows:

**Column 1**

Attributed benefit pool – 49.25%
Attributed benefit pool – 63.25%

**Column 5 – Fringe benefit total taxable value**

| | **49.25%** | **63.93%** |
|---|---|---|
| Quarter 1 | $5,000 | 0 |
| Quarter 2 | $5,000 | 0 |
| Quarter 3 | $5,000 | 0 |
| Quarter 4 | $4,000 | $1,000 |
| Total fringe benefit | $19,000 | $1,000 |

**Column 7 - Tax on FBICR**

Enter the rate used for each pool line (49.25% or 63.93%)

**Column 9 – FBT payable**

| | |
|---|---|
| $19,000 x 49.25% | $9,357.50 |
| $1,000 x 63.93% | $639.30 |

**Box A**

$9,357.50 + $639.30 = $9,996.80

| | |
|---|---|
| **Box B** – FBT already paid in quarters 1 to 3 | $7,387.50 |
| **Box C – FBT to pay for quarter 4** | $2,609.30 |

SLS Limited transfer $2,609.30 to box 6 of their quarter 4 FBT return and pay the amount due.

# FBT to pay

File your FBT returns in myIR by the due date, or if you're filing paper returns send your return and payment to us by the date shown on the return. If this is a weekend or public holiday, you have until the next working day to pay.

# How to make payments

You can make payments by:

- direct debit in myIR
- credit or debit card at **ird.govt.nz/pay**
- internet banking.

Most New Zealand banks have a pay tax option. When making a payment, include:

- your IRD number
- the account type you are paying
- the period the payment relates to.

For all our payment options, go to **ird.govt.nz/pay**

# Late payment

If you do not pay a bill on time, you may have to pay penalties and interest.

Contact us if you are not able to pay on time. We'll look at your payment options, which may include an instalment arrangement.

Find out more at **ird.govt.nz/penalties**

## For more help

See our guide **Penalties and interest - IR240**.

# Nil return

You must still send your return to us, even if it works out to be nil - no FBT to pay.

# Correcting errors in your fringe benefit tax return

You can correct fringe benefit errors in myIR if:

- you made 1 or more errors, and
- the difference in the total fringe benefit tax to pay is $1,000 or less.

You will need to ask us to amend your FBT return if any of the following apply:

- the difference in the total FBT to pay is above $1,000
- we told you that you could not deduct the expense in the earlier period
- we're investigating the return.

You can send us a message in myIR with the following details:

- the return period you made the mistake in
- the FBT amount to be changed and the correct figures
- the type of mistake and why the change is needed.

# Record keeping

You must record these details in your FBT paperwork and make the information available to us if we ask for it:

- what FBT return period the error occurred in
- the FBT amount changed and corrected amount
- the type of error
- the FBT return period you made the correction in

# Part 8 - GST and income tax

## GST

If you're registered for both GST and FBT you may have to make an adjustment for GST in your FBT returns for any fringe benefits you have provided. For example, a company might provide an employee with a motor vehicle for private use. This fringe benefit is a supply for GST purposes.

### Calculation

**Step 1:** Take the total taxable value of all fringe benefits from Box 3 of your FBT return. This is the amount of the benefits, not the FBT itself.

**Step 2:** Subtract the value of any benefits that are exempt or zero-rated supplies for GST. The most common examples are:

- low-interest loans
- other financial services
- international travel
- contributions to employee superannuation and life insurance policies.

**Step 3:** Multiply the result from step 2 by 3 and divide by 23, including the cents. This is the GST to include in Box 7 of your FBT return or Box 6 if you're an annual or income year filer.

***Example***

Details from the 31 March quarterly FBT taxable value calculation sheet for Audis on Anglesey Ltd

| | |
|---|---|
| Motor vehicles | $ 25,421.16 |
| Low-interest loans | $ 118.95 |
| Accident insurance | $ 4,500.00 |
| Goods and services | $ 500.00 |
| Total benefits | $ 30,540.11 |
| Less low-interest loans | $ 118.95 |
| | $ 30,421.16 |

Low interest loans are deducted as they are an exempt supply for GST.

The GST to include in box 7 (or box 6 for income or annual return filers) is $30,421.16 x 3 ÷ 23 = $3,967.97.

### Box 5 - GST return

If an employee makes a payment direct to the employer towards a fringe benefit, this is a separate supply and is subject to GST. Include this payment as income in Box 5 of the GST return. The time of supply is the same as for any other sale by the business.

The payment is also taxable income for income tax purposes.

No adjustment is required when the employee's contributions consist of their paying for an expense item, such as petrol. The employer cannot claim the GST paid on the expense and must keep the invoice or receipt on the FBT file.

***Example***

An employee has paid $100 in cash direct to the employer. The $100 should be added to the sales in Box 5 of the GST return. The GST to pay on the $100 is $13.04.

## Income tax

Some employee payments and provisions may seem to be fringe benefits, but they are not.

### Entertainment

The following are specified types of entertainment for income tax purposes when provided by an employer to employees:

- corporate boxes and similar exclusive areas at sporting and recreational events
- holiday accommodation
- pleasure craft
- food and beverage

These items qualify as fringe benefits only if:

- the employee can choose when to enjoy the benefit, or
- they are enjoyed or consumed outside of New Zealand, and
- they are not consumed or enjoyed in the course of, or as a necessary consequence of, employment.

### Remuneration

This includes normal salaries and wages and items such as travel allowances, free board and lodgings and non-taxable allowances.

# Part 9 - Services you may need

## Need to speak with us?

Have your IRD number ready and call us on 1 of these numbers.

| | |
|---|---|
| General tax, tax credits, refunds, payment options, Working for Families payments, and paid parental leave | 0800 775 247 |
| Child support (8am to 5pm Monday to Friday) | 0800 221 221 |
| Student loans | 0800 377 778 |
| General tax, tax credits and refunds | 0800 377 774 |
| Employers | 0800 377 772 |
| GST | 0800 377 776 |
| Significant enterprises | 0800 443 773 |

Find out more at **ird.govt.nz/contact-us**

### 0800 self-service number

Our 0800 self-service number, 0800 257 777, is open 7 days a week. Make sure you have your IRD number ready when you call.

For access to your account-specific information, you'll need to be enrolled with voice ID or have a PIN.

When you call, confirm what you want from the options given. If you need to talk with us, we'll re-direct your call to someone who can help you.

### International callers

Want faster access to our services?

Find the best number to call at ird.govt.nz/contact-us

Free calling does not apply to international callers.

**Voice ID-enrolled customers have shorter calls and better after-hours access.**

| | |
|---|---|
| Enrol for voice ID | 0800 257 843 |
| Reset your myIR password | 0800 227 770 |
| Check your account balances | 0800 257 777 |
| Order forms and guides | 0800 257 773 |

## Supporting businesses in our community

Our Community Compliance officers offer free tax education and advice to businesses and small organisations, as well as seminars for personal tax and entitlements.

Our Kaitakawaenga Māori offer a free advisory service to help meet the needs of Māori individuals, organisations and businesses.

Go to a seminar or workshop, or request a visit from us to find out more about:

- records you need to keep
- taxes you need to know about
- using our online services
- completing your tax returns (eg GST, employer returns)
- filing returns and making payments
- your KiwiSaver obligations.

Go to **ird.govt.nz/contact-us** and select the **In person** option to find out about requesting a visit.

Find a seminar or workshop near you at **ird.govt.nz/contact-us/seminars**

## Privacy

Meeting your tax obligations means giving us accurate information so we can assess your tax and entitlements under the Acts we administer. We may charge penalties if you do not.

We may also exchange information about you with:

- some government agencies
- another country, if we have an information supply agreement with them, and
- Statistics New Zealand (for statistical purposes only).

You can ask for the personal information we hold about you. We'll give the information to you and correct any errors, unless we have a lawful reason not to. Find our full privacy policy at **ird.govt.nz/privacy**

## If you have a complaint about our service

We're committed to providing you with a quality service. If there's a problem, we'd like to know about it and have the chance to fix it.

If you disagree with how we've assessed your tax, you may need to follow a formal disputes process.

Find out more about making a complaint, and the disputes process, at **ird.govt.nz/disputes**