A debt waiver fringe benefit arises where, in respect of an employment relationship, the University or associate releases an employee or an associate of the employee from the obligation to pay or repay an amount of money owing to the University. There is no requirement that the obligation for payment be enforceable by legal proceedings.

Providing the waiver is made in respect of the employment relationship, the waiving of debts, whether for compassionate reasons or otherwise, are benefits provided to employees or associates and are subject to FBT.

However, there are circumstances in which the waiver of a debt between an employer and an employee will not give rise to a debt waiver fringe benefit. For example, where the debt is considered to be bad under the same guidelines as that used for non-employees or when it can be established that the debt waiver was not related to the employment relationship.

A waiver exists where it is evident that there is no future expectation by the University or an associate of the University of the payment of the obligation. The waiver may result from a written or oral release from payment.

The debt waiver fringe benefit arises at the time of the waiver.

**Taxable Value**

The taxable value of the benefit is equal to the full amount of debt that is released from repayment.

Any consideration paid by the employee or an associate of the employee in return for the waiver of the debt is ignored (eg where an employee gives up a valuable right against an employer in exchange for the waiver of a debt). However, where an employee is compensated for unrelated reasons (eg a former employee wrongfully dismissed is paid an amount of money in exchange for agreeing not to bring action against the employer) and subsequently repays the amount in respect of the debt, no debt waiver fringe benefit arises in relation to the amount of the debt paid.

**Gross Up Rate**

The Type 2 gross up rate of 1.8692 will always apply to debt waiver fringe benefits as the release of the debt constitutes an input-taxed supply.