For FBT purposes, an expatriate is a person who is required to relocate from his or her usual residence to another residence in order to undertake duties of his or her employment. The relocation may be from one country to another, from one state to another or from one region of a particular state or territory to another. This area may apply to visiting lectures or other employees on international or interstate secondments.

**Taxable Value of Expatriate Benefits**

The following factors should be considered in relation to the taxable value of benefits provided to an employee:

- **Whether and when the Expatriate will be subject to Income Tax**

  FBT is only payable where a benefit is provided to an employee in respect of his or her employment. For FBT purposes, an employee is defined to mean a person who derives salary and wages (i.e. income) that are not exempt from Australian income tax. Therefore, if an expatriate’s remuneration is exempt from Australian income tax, no FBT is payable in respect of any benefits received.

- **Whether each benefit is exempt from FBT**

  There are exemptions that cover benefits provided specifically to expatriates, such as relocation travel, as well as exemptions that apply to all types of employees, such as exempt taxi travel and minor benefits.

- **Whether each benefit is concessionally taxed**

  If a benefit provided to an expatriate is not exempt from FBT (see below), determine whether the benefit is entitled to concessional tax treatment. That is, the FBT otherwise payable for a given benefit may be reduced up to as much as 100 percent. As with exemptions, there are concessions for benefits provided specifically to expatriates, such as holiday transport reduction, as well as concessions that apply to benefits generally, such as reductions for expenses which would have been tax deductible to an employee if personally incurred.
Exempt benefits relating to expatriates

Following are some of the benefits in relation to expatriate employees that are exempt from FBT:

- **Provision of accommodation during temporary relocation**

  The provision of a unit of accommodation to an expatriate employee who temporarily relocates to another locality is exempt from FBT. The exemption extends to the cost of the accommodation only and does not generally include costs associated with the use of the accommodation, such as electricity, gas and cleaning. However, where the accommodation provider includes these costs as part of its fee for the accommodation, for example, a hotel, the full cost of the accommodation is generally exempt from FBT and would not need to be apportioned.

  The employer must obtain the declaration at Part 4.7 (Attachment E) from the employee.

- **Reimbursement of accommodation costs during temporary relocation**

  The reimbursement of an expatriate’s temporary accommodation costs is also exempt from FBT, subject to the criteria for the provision of accommodation mentioned above.

  The employer must obtain the declaration at Part 4.7 (Attachment A) from the employee.

- **Relocation transport**

  The costs to an employer of temporarily or permanently relocating an expatriate employee and his or her immediate family members to a new locality in order to undertake employment duties are exempt from FBT. The exemption extends to the costs of providing transport (airfares, train fares, ship fares, hire cars and taxi travel), meals and accommodation whilst travelling, accident insurance, airport or departure tax, obtaining or renewing a passport or visa, vaccination and other similar things.

  Where the benefit is in the form of an expense payment benefit, employers are required to obtain receipts or copies of receipts from employees before lodging the FBT return.

- **Removal and storage of household property**

  The costs to an employer of removing and storing personal household property used by the expatriate and his or her family are exempt from FBT. The expatriate and his or her family must be moving to a new locality in order to commence employment.
If an expatriate is required to change his or her usual place of residence, the exemption only applies where the removal takes place within 12 months after the employee commences employment at the new locality.

Where the benefit is in the form of an expense payment benefit, employers are required to obtain receipts or copies of receipts from employees before lodging the FBT return.

Concessional benefits relating to expatriates

**Education expenses of Expatriates working overseas**

The taxable value of a fringe benefit arising from the provision of education benefits to a child of an expatriate working overseas may be reduced to nil. The concession applies to in-bound and out-bound expatriates. In order to qualify for the concession the following conditions must be met:

- the employee is temporarily posted overseas for 28 days or more;
- the child undertakes full-time education at a school, college or university or via a tutor;
- the child is under the age of 25 when the benefit was provided to him or her;
- where the benefit is in the form of an expense payment benefit, the employer obtains receipts or copies of receipts from the employee before lodging the FBT return; and
- it is customary for employers in the industry in which the employee is employed to provide education benefits of the same kind in similar circumstances (refer Taxation Determination TD94/97) or is provided pursuant to an industrial award.

If the overseas service starts or finishes during a school term or semester, the taxable value of the education benefit relating to the whole term or semester can be reduced to nil.

Education benefits would include the cost of school fee, tuition fees, related travel, text books and stationery and any other costs in respect of the full-time education of a child.

**Holiday transport for Expatriates working overseas**

The taxable value of a fringe benefit arising from the provision of free holiday transport, meals and accommodation en route (home leave) benefits to an expatriate working overseas and/or his or her family may be reduced to a maximum of 50%. The concession applies to in-bound and out-bound expatriates.

In order to qualify for the concession the following conditions must be met:

- the employee is temporarily posted overseas for 28 days or more;
- where the transport is only provided to the employee, he or she must be on holiday leave for 3 days or more;
where the benefit is in the form of an expense payment benefit, the employer obtains receipts or copies of receipts from the employee before lodging the FBT return; and

it is customary for employers in the industry in which the employee is employed to provide education benefits of the same kind in similar circumstances (refer Taxation Determination TD94/97) or is provided pursuant to an industrial award.

The concession only applies once per FBT year. If an employee or his or her family receives more than one home leave benefit in an FBT year, the 50% reduction applies to the highest cost of all the home leave benefits provided in that year. For example, if an employee receives 2 free trips return airfares to his home country in the current FBT year, one in January 2006 costing $2,000 and one in July 2005 costing $2,400, the 50% reduction applies to the trip in July. Therefore, the taxable value of the benefit can be reduced by $1,200 (50% of $2,400). There is no reduction for the first trip. Accordingly, the taxable value for the year would be $3,600 ($4,400 - $1,200).

Further, where the employee or family are not travelling between the employee’s temporary country of employment and the employee’s home country, the concession is limited to a benchmark amount.