Housing fringe benefit

What is a housing fringe benefit?

A house, flat, mobile home or similar accommodation (referred to as a 'unit of accommodation') provided via a lease or licence provided by VU to an employee including members of the employee's family is subject to FBT as a housing fringe benefit where the unit of accommodation is the employee's 'usual place of residence' (i.e. the employee is not living away from home). The benefit may also be provided by an associate of VU or by a third party under an arrangement with VU.

If the accommodation is not the employee's usual place of residence, the benefit will not be a housing benefit but instead will be a residual benefit.

Examples of housing fringe benefit

VU provides an employee with a unit of accommodation free of charge or at a reduced rental rate and that unit of accommodation is the usual place of residence of that employee.

How is FBT calculated?

FBT = Taxable value of fringe benefit X 1.8868 (Gross up factor) X 47% (FBT Rate)
Where:

The taxable value is the market rental value of the property less any amount paid by the employee (employee contribution).

During the first year (base year) that a housing benefit is provided, the market value of the accommodation must be obtained (a real estate or property valuer may be engaged to assist with market valuation). In a normal valuation practice, the market rental is what a willing but not anxious person would be prepared to pay the owner to occupy the particular property in its existing conditions, if it were placed on the open market for rent.

In following years (non-base years i.e. to the maximum of nine years), the market value of the previous year is indexed by multiplying the market value by the Annual State housing indexation factor. A new market valuation must be obtained in the tenth year.