

Briefing Paper - April 2026

Fringe Benefits Tax (FBT)

Boarding Portfolio – Amber Driver

The cost of accessing compulsory education for geographically isolated children should not be taxed irrespective of who is bearing the cost. Affordable access to boarding schools for employees who work in remote areas provide their children with equitable access to school facilities as those in urban areas.

There are two main areas ICPA (Aust) are focusing on in regard to FBT:

- 1) Fringe Benefits Tax Exemption for schools/boarding facilities** providing on site living facilities for essential supervisory staff on that accommodation.
- 2) Fringe Benefits Tax Exemption for businesses** who would like to provide financial assistance to employees residing in geographically isolated areas, to enable their children to attend boarding schools.

FBT Exemption for schools/boarding facilities - It is critical that the Federal Government change the policy on Fringe Benefits Tax (FBT) as it currently applies to essential boarding school staff required to “live in” to perform their duty of care of residential students in metropolitan boarding institutions despite the boarding facility caring for children from the most geographical isolated areas of Australia.

Boarding Schools who offer live in options for their staff should be recognised with a FBT exemption.

Recognition of this unique dynamic, by the Federal Government and Treasury, must result in the removal of the FBT applied to boarding facilities who offer “live-in” accommodation for essential staff to care for boarding students.

The removal of the FBT on residential accommodation for essential supervisory staff employed by boarding schools will significantly reduce the costs incurred by some boarding schools.

This tax negatively impacts on the cost of an equitable education for isolated students who must attend boarding school in an urban area in order to access a secondary education.

It is obvious that boarding schools must charge fees that cover costs incurred to them. Staff wages are a clear example of expenses that must be factored into boarding school fees. However, if some of the taxes that are currently applied to boarding schools were removed, the fees charged to families could also be lessened. The removal of the Fringe Benefits Tax (FBT) on residential accommodation for essential supervisory staff could significantly reduce the costs incurred by some boarding schools. The Australian Boarding Schools’ Association (ABSA) estimates that the FBT on the residential accommodation for the boarding schools in large cities adds an average of approximately \$2000 per child. Staff accommodation is a fundamental necessity of a boarding school. Boarding school staff must live on site to supervise the boarders in their care.

Educational expenses are considerably high for families who must send their children to boarding school due to geographical location. Unfair taxes are adding to the high costs of educating students from rural and remote areas. The Fringe Benefits Tax (FBT) that is applied to

essential boarding staff in large cities is one example of the taxes that are impacting affordability and accessibility to an equitable education.

Unequitable taxes like these are adding to the high cost of educating students from rural and remote areas. In addition, the taxes appear to be levied across sectors in a most inequitable and inconsistent manner. For example, FBT is applied to boarding supervisors' accommodation, yet it is not levied on aged care facilities or military establishments. As another example, GST is levied on boarding school food, yet not on the food provided in aged care facilities.

Boarding associations and boarding schools have been lobbying for the Fringe Benefits Tax on essential boarding school staff to be removed. ICPA (Aust) are supporting this advocacy and assisting in raising awareness of this concern where possible would lend a greater voice to this issue on behalf of rural and remote students.

The Australian Boarding School Association, Boarding Schools & ICPA Australia continue to lobby for the Fringe Benefits Tax (FBT) on essential boarding school staff to be removed.

FBT Exemption for businesses - Employers in geographically isolated areas assisting with the educational costs of children of employees should be exempt of fringe benefit tax for these payments. The cost of accessing compulsory education for geographically isolated children should not be taxed irrespective of who is bearing the cost. Affordable access to boarding schools for employees who work in remote areas provides their children with equitable access to school facilities as those in urban areas.

Currently, when employers offer financial assistance towards the cost of schooling, the payment is deemed a Fringe Benefit and taxed at the rate of 47%. Any contribution made by the employer is compounded with almost half the amount again in tax.

Fringe Benefits Tax (FBT) exemption for businesses who would like to provide financial assistance to employees residing in geographically isolated areas, to enable their children to attend boarding schools must be approved.

Currently, in an effort to attract and retain staff in rural and remote locations, some employers offer their staff a financial contribution towards boarding school expenses of their children. This financial assistance is valuable in supporting families employed in remote areas of Australia as many are unable to afford the exorbitant expenses incurred when sending their children to board to access their secondary schooling.

Without this assistance from employers, many employees have no choice but to leave their homes and place of employment to access their child's education in a larger centre, simply because they cannot afford the costs of boarding school. This leaves employers with a hard to fill gap in the remote workplace.

However, as these payments incur a fringe benefits tax which negatively impacts the employer and the intent of the contribution, employers are penalised for assisting their employees with these expenses. This can be a deterrent for any business thinking of offering assistance to their employees.

Further, as employees are required to report payment of educational expenses as a fringe benefit, this can impact upon their taxation rate as well as their ability to access other income-tested educational assistance such as the AIC Additional Boarding Allowance or Youth

Allowance. This can also occur if the employer chooses to pay a higher wage/salary to the employee rather than incur the FBT on education assistance.

The removal of FBT on contributions to employees' children's education expenses would allow more employers to offer financial assistance to their employees, increasing the recruitment and retention of valuable families and workforce growth in rural and remote locations.

In recognition of conditions in rural and remote locations, the Australian Tax Office already offers certain FBT concessions and benefits.

For example, the lack of sufficient residential accommodation in remote locations attracts concessions for employers to provide housing for their employees and also through the Commonwealth Living Away from Home Allowance (LAFHA) provides concessional treatment in relation to FBT.

In many rural and remote locations, there is also insufficient access to suitable compulsory education facilities and therefore boarding school is the only option available.

ICPA (Aust) therefore believes similar concessions should be made for employers in geographically isolated locations to assist employees with the costs associated with their children's compulsory education and to support workforce attraction and retention in these challenging and isolated locations of Australia.

Recommendations:

- **Exemption of the Fringe Benefits Tax** on accommodation provided by boarding schools (with children enrolled as identified in the AIC allowance) who wish to assist essential 'live-in' boarding school staff, be approved and implemented.
- The Recurrent School Funding Model includes provision for Boarding Schools to receive a **Fringe Benefits Tax exemption**, on accommodation provided to staff where the school accommodates students from remote and very remote areas as defined by the Accessibility Remoteness Index of Australia (ARIA) score.
- **Removal of the Fringe Benefits Tax** for businesses wishing to assist employees residing in geographically isolated areas to enable their children to attend boarding school.