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# Frequently Asked Questions: FBT – Update on Recent Changes and the Future of FBT

Wolters Kluwer recently hosted the following webinar, “FBT – Update on Recent Changes and the Future of FBT” on 1 May, 2025 presented by [Harriet Zhang](#) and [Carla Cross](#).

The following FAQs addresses a selection from the live audience questions prepared by the Wolters Kluwer team. These reflect the commonly asked queries from the audience.

*Please note that this document contains general guidance and should not be relied upon as tax advice. The information contained in this document does not purport to cover all aspects of law and accounting relevant to the topics covered. [CCH iKnowConnect](#) research platform or our [New Zealand Master Tax Guide](#) book offers comprehensive technical commentary including case laws and practical examples on the topic of claiming home office expenses. We also strongly recommend you seek advice from a professional tax advisor to ascertain any tax treatment and obligations.*

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## Questions regarding home office

1. **If a client has a separate office at home for preparing working papers and managing their business, can they claim home office expenses? Specifically, for a business like Uber, where the home office use might be limited, does the IRD have specific example case rules for claiming home office expenses?**

Business owners or sole traders who uses their own home in the furtherance of the conduct of a business maybe entitled to a deduction for part of the home related expenses to the appropriate extent. Note employees are not able to claim any home office expenses due to the employment limitation provision.

An apportionment of the home related costs may be required to arrive at an amount that represents the expenditure attributable to maintaining the home office. A deduction is permitted for expenditure incurred in relation to a building used partly for business purposes and partly for other purposes and s DB 18AA, provides a method of calculating the proportion of expenditure relating to business activities. Inland Revenue has released operational statement, OS 19/03, "Square metre rate for the dual use of premises", which explains how the Commissioner interprets and applies s DB 18AA.

Inland Revenue has also published the following general guidance on this topic:

- IR135, Tax, shuttle and ride-sharing, April 2025, which provides some guidance on the tax treatment and obligations of taxi, shuttle and ride-sharing drivers.
- Inland Revenue's Home office expenses page at: <https://www.ird.govt.nz/home-office-expenses>

Please note that the above general guidance resources provide a simplified summary and are not technical in nature. CCH iKnowConnect research platform or our *New Zealand Master Tax Guide* book offers comprehensive technical commentary including case laws and practical examples on the topic of claiming home office expenses. We also strongly recommend you seek advice from a professional tax advisor to ascertain any tax treatment and obligations.

2. **If a shareholder-employee takes a business vehicle home and has a home office where the shareholder-employee works from in the evenings or in the weekends. Is this also an exception for private use?**

The general rule is expenditure on travel between home and work is private travel. The Commissioner's view as expressed in IS 25/02 is that there are 4 case law exceptions which can be applied to mean travel by an employee between home and work in a motor vehicle is not private travel and therefore not subject to FBT. One exception is that the employee's home is a workplace or base of operation. There are specific criteria that must be satisfied to conclude that a taxpayer's home is a workplace, it is not sufficient that work is carried on at home (even if it is a condition

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of the employee's employment contract). The Commissioner further states that personal choice of working at home alone has never been a basis for creating a home workplace (or a base of operations at home).

The factors that are relevant to determining whether an employee's home is their workplace, as set out in IS 25/02, are whether:

- there are sound business reasons for the employee working from home (ie whether the expenditure has been "necessarily incurred")
- a significant amount of work is carried out at home
- there is significant storage of business goods or equipment at home
- significant space is set aside and used for work activities at home, and
- the activities the employee carries out at home are closely integrated with the business.

All of these factors need to be considered to conclude whether an employee's home is a workplace, and the weighting given to each factor may vary, depending upon the nature of the business.

See paragraph 65 – 96 and Example 1 – 7 in IS 25/02 for detailed explanation on this exception.

## Questions regarding motor vehicles

3. **If a client has access to a private vehicle, can he avoid FBT on a separate company vehicle? He works from home and only uses the company vehicle for work related trips.**

The fact that the taxpayer has his own private vehicle doesn't automatically exempt the company motor vehicle from FBT. The taxpayer will need to determine whether his home is considered a workplace or base of operation and if so, this means travel from and to his home in the company motor vehicle is not private travel and therefore not subject to FBT.

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#### **4. When do the changes go into effect with the interpretation?**

IS 25/01 and IS 25/02 was issued on 15 January 2025 and replaced IS 3448, therefore the two new interpretation statements are effective from 15 January 2025.

Note the Commissioner's view on the issues discussed in IS 25/01 and IS 25/02 remains largely consistent with IS 3448. The key difference is that in the new interpretation statements, the Commissioner expressed his view regarding the application of the FBT rules to some modern working scenarios, for example the Commissioner is of the view that travel between home and work will not be work-related travel in the case of an electric vehicle simply because the vehicle is required to be taken home for the purposes of charging.

#### **5. Is 25/01 discussed on pages 7-10 relating to sole traders and partnerships rather than Companies who are caught by FBT under IS 25/02?**

IS 25/02 states that the same four case law exceptions (discussed in IS 25/01) can be applied to mean travel by an employee between home and work in a motor vehicle is not subject to FBT (see paragraph 40 – 100, IS 25/02).

#### **6. If the employee takes a company car home overnight for a company trip in the following morning. The employee has been told to not use the car for private use, also the car has GPS monitoring to check the trip. Is it liabilities for FBT?**

Under s CX 6(4), no fringe benefit arises for a motor vehicle where:

- the employee is absent from home with the motor vehicle for a period of at least 24 hours continuously (the vehicle must be with the employee and cannot be parked at an airport), and
- the employee is required in the performance of his or her duties to use a vehicle and regularly be absent from home.

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If the total absence is for at least 24 hours, then the day of departure from home and the day of arrival back home could both qualify as exempt days so long as on both those days the employee actually used the car for working purposes connected with the trip.

For completeness, if the employee had a rest day in the course of a trip, that day would not be an exempt day, because in that day the vehicle would not have been used for working activities (assuming that it was available for private use on that day).

**7. If a shareholder-employee is receiving a non-cash quarterly benefit under the de minimis threshold, can they also use the close company motor vehicle exemption?**

No, the company will not be able to use the close company motor vehicle exemption. The close company motor vehicle exemption under s CX 17(4B) only applies to close companies where the total benefits provided to all employees in the income year are one or two motor vehicle. Even though the non-cash quarterly benefit falls under the de minimis threshold and no FBT liability arises, it still constitutes a benefit provided to the employees and therefore the criteria for the close company exemption are not satisfied.

**8. What are the FBT implications, if any, to a company with one shareholder/director company that provides a motor vehicle to another individual for private use, who is a relative who but receives no income from the Company, i.e. is not an employee, not a shareholder or recipient of any other income for services from the Company.**

Under s GB 32, if an employer provides fringe benefits to a non-corporate associated person of an employee, the benefit is caught under the FBT rules and treated as being provided to the employee, the employer is liable to pay FBT on the benefit.

If the fringe benefit is provided to a non-corporate associated person of a shareholder-employee of the company, under s CX 18, the benefit is treated as subject to FBT under s GB 32, if the benefit would have been a dividend if provided to the shareholder. Essentially this means the FBT rules apply to the provision of a benefit to an associated person of a shareholder-employee.

**9. If an employee who works 50/50 from home and the workplace always transports his 100% work use laptop between the places of work does the laptop qualify as "transportation of essential equipment"?**

In order for the essential equipment exception to apply, IS 25/01 stated that the following 2 criteria must be met:

- it must be necessary (because of the nature of the income-earning activity) to transport the goods between the taxpayer's workplace and their home to enable them to carry out the income-earning activity partly at their home; and

- a vehicle must be required to transport the goods, which may be because of their bulk or because their value, sensitivity or other special characteristics make it impractical to transport them without the use of a vehicle.

The Commissioner further stated that “a requirement to transport sensitive work-related information is not, on its own, sufficient to bring a taxpayer within the exception.”

In this case, it is highly unlikely that carrying a work laptop in a motor vehicle would qualify as “transportation of essential equipment”.

## Questions regarding the new alternate rate calculation method

### 10. Regarding the major shareholder, you mention "control" is someone a major shareholder that has the shares in a family trust and is director but holds no shares personally? As they have “control”?

For the purposes of the full alternate rate option calculation, “major shareholder” is defined under s YA as:

“Major shareholder, for a close company, means any person who—

- a) owns, or has the right to acquire, at least 10% of the ordinary shares of the company:
- b) has the power to control, directly or indirectly, at least 10% of the ordinary shares of the company:
- c) owns, or has the right to acquire, at least 10% of the voting interests in the company:
- d) has the power to control, directly or indirectly, at least 10% of the voting interests in the company:
- e) has, in any other way, 10% or more of the control of the company.”

So yes, if a person has 10% or more of the control of company through any other means, the person is considered a major shareholder for the purposes of this formula.

### 11. Will this new calculation be only applicable for employees? Does the shareholder employee calculation stay the same?

The new alternate rate calculation formula under s RD 50 is applicable for an employer to calculate the FBT liability on attributed benefits for all employees.

The calculation for the employer’s FBT liability on non-attributed benefits remains the same for all employees. Refer to IR409 Fringe benefit tax guide page 31 for a detailed table showing the two different categories of benefits.

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## Questions regarding staff allowances and benefits

### **12. Accounting/law firms generally pay employees for the professional membership and exam costs, are these subject to either PAYE or FBT?**

Generally, professional membership and exam costs paid by accounting or law firms for their professional employees will be exempt from both PAYE and FBT.

Professional membership and exam costs paid directly by an employer is potentially within the scope of an unclassified benefit. However, a FBT liability for the employer will only arise if the fees paid does not relate to the employer's business or the performance of the employee's duties (for example if a legal firm paid for their employee's ballroom dancing lessons).

Reimbursements from an employer for the professional membership fees and exam costs will be exempt from PAYE because the payment satisfy the criteria for exempt reimbursement in s CW 17 and the nexus test in s CW 17(2B) (see slide 19 for explanation on these two tests).

### **13. We have a new employee who has relocated. The Company is paying the rent on their house for 1 year. Does this fall under PAYE or FBT?**

*Determination* DET 09/04, "Eligible Relocation Expenses", sets out the types of expenses that may be treated as exempt income when an employee relocates for employment purposes. In terms of property related allowances, DET 09/04 states that accommodation or value of employer provided accommodation once the employee has arrived in the new location, for up to 3 months after arrival. In this case, assuming the payments satisfies the relocation payments exemption criteria under s CW 17B, the first 3 months of accommodation after arrival paid by the company is exempt income to the employee. The rest of the rent paid by the company is employment income of the employee and subject to PAYE.

### **14. If an employer provides a non-cash benefit to an employee but the expenditure is treated as drawings of the employer does this exempt the employer from FBT?**

No, it is highly unlikely the employer will be exempt from FBT. The FBT rules captures non-cash benefits provided by an employer to an employee in connection with their employment (s CX 2). How the expenditure is treated from the employer's perspective is irrelevant. Further, the following anti-avoidance rules ensure that transactions and arrangements that would otherwise escape the FBT net will be captured:

- benefits provided to persons associated with an employee (s GB 32)
- benefits provided by another party under an arrangement (s CX 2)
- benefits provided under an arrangement to defeat the intent and application of the FBT rules (s GB 31).

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**15. For the trip to Fiji example, what is the distinction why flights is subject to FBT and accommodation is subject to PAYE? They are both travel costs.**

The flights provided by the company is a type of unclassified benefit and therefore subject to FBT.

In terms of the accommodation provided by the company, section CX 28 operates to exclude accommodation benefits provided to employees from FBT. Under s CE 1B, accommodation benefits provided by an employer are taxable income to the employees and should be captured by the PAYE regime.

**16. How do you treat partner's cost who accompanied staff who travel away on business?**

If the employer pays for the employee's partner's cost of travel, the partner's travel cost would be subject to FBT. This is because the anti-avoidance provision under s GB 32 captures benefits provided to an associate person of an employee.

**17. The shareholder-employee travelling to Fiji if the transaction is treated as drawings ie in payment of current account balance owed to shareholder employee. No FBT in this case?**

Yes, if the cost of the trip is treated as drawings for the shareholder-employee, the benefit will not be subject to FBT.

**18. We have clients who use their credit cards to pay business expenses and they then receive eg Air NZ airpoints in their personal names that they use for private travel. Are there any current or upcoming FBT implications with regard to this?**

In BR Prd 24/05, "Air New Zealand Limited", the Commissioner's view is that the employer is not liable for FBT on the reward benefits (such as Airpoints) received by the employees in respect of work-related travel paid for or reimbursed by employers, however, there will be an FBT liability if the employer has entered into an arrangement with the promoter of the scheme to benefit employees. Further, if any membership fee to join a program is paid for by the employer, the fee paid (but not any entitlements received by the employee under the program) will be subject to FBT.



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## Questions regarding new health or safety exemption

### **19. If the employer pays for an employee's health insurance (for example Southern Cross Healthcare), is that still subject to FBT?**

Employer-paid health insurance premiums remain subject to FBT as per s CX 16.

From 1 April 2025, a new health or safety payment exemption in s CW 17D applies so that an amount an employer pays to or on behalf of an employee in relation to the employee's health or safety is exempt income of the employee. The exemption applies provided that the payment is for a benefit for managing risks to health and safety in the workplace, and that would have been exempt from FBT under s CX 24 if the benefit had been provided as a non-cash benefit to the employee.

To qualify for this exemption, the benefit must be aimed at addressing risk management in the workplace so it does not extend to benefits such as gym memberships or employer-paid health insurance premiums.

## Questions regarding QB 25/07

### **20. Gift cards QB 25/07 Prezzy cards - does this apply from 1 April 2025?**

QB 25/07 was issued on 14 April 2025. The Commissioner states that the position outlined in this QB regarding open loop cards applies on a go-forward basis and Inland Revenue won't be looking to review any previous tax positions taken by the taxpayer regarding open loop cards (paragraph 76 of QB 25/07):

"The Commissioner acknowledges that some employers have been incorrectly treating open loop cards provided to employees as fringe benefits (and subject to the FBT rules) and not the payment of money (and PAYE income payments). The Commissioner will not apply resources to correct previous tax positions taken in return periods ending on or before the date of this statement where an employer has incorrectly treated the provision of an open loop card to an employee as a fringe benefit and returned FBT on that basis."

### **21. QB 25/07 does trade customer employers mean eg Mitre 10, Bunnings? What about provision of Prezzy cards to employers at a manufacturing business?**

In QB 25/07, a trade customer is defined as a person carrying on a business who buys goods or services from trade suppliers and a trade supplier is defined as a person carrying on a business who sells goods or services to (not necessarily exclusive) trade customers. Examples of trade customers given by Inland Revenue includes farmers, builders, plumbers. Mitre 10 and Bunnings are retailers and they both buy goods and services from other trade suppliers too so they would be considered trade customer employers.

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In terms of a manufacturing business, whether QB 25/07 applies would depend on if the operation and nature of the business satisfies the criteria of being a trade customer employer.

**22. The gift cards that are considered closed loop cards would include New World gift cards. As a New World gift card would be used for the purchase of food, is limited to 50% business deduction also?**

A New World gift card provided to employees (including shareholder employees) is subject to FBT and a full deduction will be available for the employer.

Note if the gift card is provided to shareholders (or associates), the amount provided are taxable for the shareholder as a dividend and no deduction is available for the employer.

**23. How do you put a Prezzy Card through the PAYE System, when the Employer has already paid for it and passed it onto the Employee?**

Once the Prezzy card is provided to the employee, the employer needs to gross up the face value of the card provided and include this (likely to be an extra pay) for the employee in the next PAYE filing.