



WELCOME TO THE TWENTIETH EDITION OF THE CP CATCHUP

DECEMBER 2015

With Christmas fast approaching, the team at CP would like to thank you for your support during 2015. We wish you & your families all the best this holiday season and we look forward to working with you again next year. Merry Christmas!

Please check out our website at www.cpnnumbers.com.au and don't forget to follow us:   

Christmas Parties - Fringe Benefits Tax and Deductibility

Now is an important time to consider the tax issues involved in providing a Christmas party to employees. Employers can choose one of two methods in determining the tax consequences of providing a Christmas party - the actual method and the 50/50 method.

Actual method:

Under the actual method the general Fringe Benefits Tax (FBT) and income tax consequences are briefly as follows:

Christmas party on employer's premises

- If food and drink is provided for current employees on a working day, there will be no FBT and no tax deduction.
- If food and drink is provided for family members, FBT is payable (except where the cost is less than \$300 per person) and a tax deduction is allowed (no tax deduction allowed where the cost is less than \$300).
- If food is provided for clients, suppliers etc, there is no FBT and no tax deduction.

External Christmas party e.g., held at a restaurant

- Where food and drink is provided for employees and family members and the cost per individual guest is less than \$300, there will be no FBT and no tax deduction.
- Where the cost of the function per guest is \$300 or more, FBT applies and a tax deduction is allowed.
- Where food and drink is provided for clients, suppliers etc, FBT will not apply and no tax deduction is available.

Therefore summarised briefly, if the cost per guest (who is an employee or family member of an employee) is less than \$300, whether the party is held on business premises or externally, no FBT will apply and no tax deduction will be available. In all cases, FBT will not apply where food and drink is provided to clients, suppliers etc and no tax deduction is available.

50/50 method:

Under this method, 50% of the total expenditure on food and drink provided at the party (irrespective of who attends and where the party is held) will be subject to FBT and tax deductible. Unlike the actual method, there is no \$300 exemption and employees are not 100% exempt from FBT where parties are held on business premises. If this method is used it must also apply to all meal entertainment provided to employees and associates throughout the year.



Christmas Gifts - Fringe Benefits Tax and Deductibility

When determining the tax consequences of providing gifts to employees and clients, the Australian Taxation Office considers whether or not the gift is considered "entertainment".

Gifts that are not considered entertainment include Christmas hampers, wine, gift vouchers (except for where the voucher is for entertainment), a bottle of perfume, flowers, etc. Briefly, where these types of gifts are provided to employees or family members and the cost is less than \$300, there is no FBT and a tax deduction is available. Where the cost is greater than \$300, FBT is payable and a tax deduction is allowed. Where these types of gifts are provided to clients, suppliers etc, no FBT will apply and a tax deduction is allowed.

Gifts that are considered entertainment include tickets to attend a theatre, live play, sporting event, a holiday airline ticket, etc. Briefly, where these types of gifts are provided to employees or family members and the cost is less than \$300, there is no FBT and no tax deduction. Where the cost is greater than \$300, FBT is payable and a tax deduction is allowed. Where these types of gifts are provided to clients, suppliers etc, no FBT will apply and no tax deduction is allowed.

GST

Where entertainment is not tax deductible (i.e., no FBT is being paid) a credit for GST on the purchase cannot be claimed from the ATO.

Client In Focus - Australian Property Hub

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OUR OFFICE WILL BE CLOSED
FROM 5PM MONDAY 21 DECEMBER 2015
& WILL REOPEN 8:30AM MONDAY 11 JANUARY 2016

