

Quick tax guide: Tax implications to employers – Festive season benefits

Benefit provided	FBT liability?	Income tax: deductible?	GST: ITC available?
Christmas party/Meal entertainment			
Food and drink provided on business premises			
<i>Employees</i>			
Property fringe benefit (actual)	No (1)	No	No
<i>Associates</i>			
Property fringe benefit (actual)	Yes (2)	Yes	Yes
Minor benefit	No (3)	No	No
<i>Clients</i>			
	No	No	No
Off premises (eg. restaurant)			
<i>Employees and/or associates</i>			
Property, expense payment or residual fringe benefit (actual)	Yes (2)	Yes	Yes
Minor benefit	No (3)	No	No
<i>Clients</i>			
	No	No	No
Taxi fares: Property or expense payment fringe benefit			
<i>Employees</i>			
From work premises to function (or vice versa)	No (4)	No	No
From function to non-work premises (or vice versa)	Yes (2)	Yes	Yes
Minor benefit (if not exempt taxi travel)	No (3)	No	No
<i>Associates</i>			
Any taxi travel (irrespective of origin or destination)	Yes	Yes	Yes
Minor benefit	No (3)	No	No
Gifts			
If gift constitutes 'entertainment' to:			
<i>Employee or associate</i>			
Property fringe benefit (actual)	Yes (2)	Yes	Yes
Minor benefit	No (3)	No	No
<i>Client/ Customer</i>			
	No	No	No
If gift not 'entertainment' to:			
<i>Employee or associate</i>			
Property fringe benefit (actual)	Yes (5)	Yes	Yes
Minor benefit	No (3)	Yes	Yes
<i>Client/ Customer</i>			
	No	Yes	Yes

- 1: Exemption under s41 FBTA – provision of food and drink on premises on a working day. Applies only if 'actual' method used.
- 2: As this expenditure constitutes 'meal entertainment', businesses may elect to apply the 50/50 split or 12 week register method to value the fringe benefit. The relevant income tax and GST implications follow.
- 3: Minor benefit exemption under s58P FBTA – must be less than \$300 per benefit and satisfy relevant criteria. See TR 2007/12. Applies only if 'actual' method used.
- 4: Exemption under s58Z FBTA. Not applicable to associates of employees. Applies only if 'actual' method used.
- 5: Must value using 'actual' method only.