

## Christmas Benefits – Don't Let the Taxman Spoil the Party!

Businesses providing gifts to clients and staff should consider the tax consequences before they decide what presents to give. The tax treatment of giving cinema tickets as compared to a Christmas hamper is significant. **Getting it wrong can create a taxable fringe benefit** with a fringe benefit tax (FBT) rate of 46.5% payable by the business.

There is a distinction between “*entertainment*” gifts and other gifts.

“*Entertainment gifts*” include movie tickets, sporting events, vouchers for a weekend retreat and flights. “*Non-entertainment gifts*” include hampers, wine/alcohol and gift vouchers.

“*Non-entertainment*” gifts with a value of less than \$300 **provided to employees** are not subject to FBT while a tax deduction and GST credit can be claimed.

“*Non-entertainment*” gifts **provided to clients** are not subject to fringe benefits and tax deduction and GST credit can be claimed.

“*Entertainment*” gifts **provided to employees** with a value of less than \$300 are not subject to FBT but no tax deduction and no GST credit can be claimed.

“*Entertainment*” gifts **provided to employees** with a value of greater than \$300 are subject to FBT at 46.5%.

“*Entertainment*” gifts **provided to clients** are not subject to FBT but no tax deduction can be claimed nor a GST credit allowed.

**From a tax and therefore cost perspective, you are better to provide a Christmas hamper or alcohol to your clients and employees rather than movie tickets or a weekend retreat to avoid having to make an additional gift to the Taxman.**

**This could extend to business owners where you provide yourself a bonus via a “*non-entertainment*” gift under \$300 on an irregular / infrequent basis e.g. at Christmas, birthday, end of financial year.**

## Making the Most of Your Christmas Party

Holding the Christmas party on the business premises on a working day is usually the most tax effective.

Where the Christmas party is held on the business premises on a working day with only employees and clients attending and only finger food or a light meal and no alcohol is provided, then the entire cost is tax deductible. There is no FBT payable and a GST credit can be claimed on the entire cost.

Christmas parties held off the business premises are exempt from FBT where the cost per employee and their associate is less than \$300 each inclusive of GST but no tax deduction or GST credit can be claimed.

Should you wish to discuss the above issues in further detail, please do not hesitate to contact HW One on 07 3360 9600 or [connect@hwone.com.au](mailto:connect@hwone.com.au)