



Fringe Benefits Tax and Christmas Parties

Coming into the festive season many people are planning their Christmas party for their staff. While it is important to take the time to celebrate this season, it pays to be aware of the tax implications of such celebrations.

Fringe Benefits Tax (FBT) applies where an employer provides a benefit to an employee other than their regular salary or wage.

At first instance a Christmas party could be considered such a benefit, depending on the circumstances of the party. However, the Christmas party could be exempt from FBT if its value is less than \$300 per employee.

These tables provide general information regarding the different types of Christmas parties that may be held and the FBT implications for such parties.

Should you have specific questions regarding your circumstances or require further clarification around anything to do with FBT feel free to contact your Crowe Horwath advisor.

Christmas party held on the business premises

Example

Your business decides to have a party **on its premises** on a working day before Christmas and you provide food, beer and wine.

The implications would be as follows:

If...	Then...
Current employees only attend	For employees – there is no FBT implication as it is an exempt property benefit. There is no tax deduction and no GST claimable.
Current employees and their family attend at a cost of less than \$300 per head (GST inclusive)	For employees and family – there will be no FBT implications as the benefit is considered minor and infrequent. There is no tax deduction and no GST claimable.
Current employees, their family and clients attend at a cost of \$300 or more per head (GST inclusive)	<p>For employees – there are no FBT implications as it is an exempt property benefit. There is no tax deduction and no GST claimable.</p> <p>For family – a taxable fringe benefit arises where the value is \$300 per person or more.</p> <p>For clients – considered entertainment however no FBT implications but no income tax deduction either and no GST claimable.</p>

Christmas party held off the business premises

Example

You decide to hold your Christmas function **at a restaurant** on a working day before Christmas and provide meals, drinks and entertainment.

The implications would be as follows:



If...	Then...
Current employees only attend at a cost of less than \$300 per head (GST inclusive)	There will be no FBT implications as the benefit is considered minor and infrequent. There is no tax deduction and no GST claimable.

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Talk to one of our advisors

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Crowe Horwath is part of a global accounting network that delivers high quality audit, tax and advisory services in over 100 countries. We are the relationship that you can count on – large enough to offer a range of expertise and skills – and small enough to provide the personal touch.

Current employees and their family and clients attend at a cost of less than \$300 per head (GST inclusive)

For employees – there will be no FBT implications as the benefit is considered minor and infrequent. There is no tax deduction and no GST claimable.

For family – there will be no FBT implications as the benefit is considered minor and infrequent. There is no tax deduction and no GST claimable.

For clients – considered entertainment however no FBT implications but no income tax deduction either and no GST claimable.

Current employees, their family and clients attend at a cost of \$300 or more per head (GST inclusive)

For employees – a taxable fringe benefit arises where the value is \$300 per person or more. A tax deduction and GST credit can be claimed.

For family – a taxable fringe benefit arises where the value is \$300 per person or more. A tax deduction and GST credit can be claimed.

For clients – considered entertainment however no FBT implications but no income tax deduction either and no GST claimable.

Christmas gifts

The following table briefly summarises the general FBT (and other tax) consequences for an employer providing Christmas gifts, based on the ATO's guidelines.

Type of gift	Gifts to employees and their family	Gifts to non-employees (clients, suppliers, contractors, etc)
Non-entertainment gifts. For example: <ul style="list-style-type: none"> ■ Christmas hamper ■ Bottle of wine or whisky ■ Gift voucher ■ Bottle of perfume ■ Flowers ■ Pen set 	Subject to FBT (unless exempt – eg, the minor benefit exemption applies) and income tax deductible*. To be an exempt minor benefit the total cost of a gift must be less than \$300 (GST inclusive) and provided infrequently. If the gift is FBT exempt, then no income tax deduction and no GST credit can be claimed.	No FBT applies. Income tax deduction is allowed.* GST input tax credits can generally be claimed.
Entertainment gifts. For example: <ul style="list-style-type: none"> ■ Theatre / movie tickets ■ Tickets to a sporting event ■ Holiday accommodation 	Subject to FBT (unless exempt – eg, the minor benefit exemption applies) and income tax deductible*. The total cost of a gift must be less than \$300 (GST inclusive) and provided infrequently to be an exempt benefit. If the gift is FBT exempt, then no income tax deduction and no GST credit can be claimed.	Not subject to FBT. No income tax deduction can be claimed. GST input tax credits cannot be claimed.

* No deduction is allowed for any GST input tax credit entitlement

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