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29 November 2007

FBT & CHRISTMAS PARTIES

The Tax Office has released a fact sheet containing information for employers about the possible FBT implications of providing Christmas parties for their employees and associates.

Taxpaying body

If the employer is not a tax-exempt organisation and does not use either the 50-50 split method or the 12-week register method for meal entertainment, the fact sheet offers the following explanations.

- **Exempt property benefits** — the costs (such as food and drink) associated with Christmas parties are exempt from FBT if they are provided on a working day on the employer's business premises and consumed by current employees. A taxable fringe benefit will arise in respect of an associate of an employee who attends the party if not otherwise exempt under the minor benefits exemption.
- **Exempt benefits — minor benefits** — a Christmas party may be a minor benefit and exempt if the cost of the party is less than \$300 per employee and certain conditions are met. The cost per employee includes the cost for any of their associates attending the party.
- **Christmas gifts** — all benefits associated with the Christmas function should be grouped to determine whether the total value meets or exceeds the \$300 minor benefits threshold, eg the cost of gifts such as bottles of wine and hampers given at the function would be included in the total cost of the party.
- **Tax deductibility** — the cost of providing a Christmas party is income tax deductible only to the extent that it is subject to FBT. Therefore, any costs that are exempt from FBT (ie exempt minor benefits and exempt property benefits) cannot be claimed as an income tax deduction.

The fact sheet is available at:

<http://www.ato.gov.au/businesses/content.asp?doc=/content/51481.htm&page=2&H2>.

Tip

To maximise tax deductibility of the cost of employee Christmas gifts - and to minimise FBT issues - we suggest that these gifts be given to employees on a separate day to the Christmas party.

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What is "OBM"? Open Book Management

OBM is applicable to any business environment in which making money, creating wealth, delivering quality products and services, and recruiting and retaining the best people are desired.

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