

Entertainment & FBT Training

Version 1/09
Updated Dec 08

**References
& Coding**

ATO Principle:

"Parliament...left the term *entertainment* to receive its meaning in ordinary language, and that meaning in this connection is *amusement*." We (ATO) take the view that the above...interpretation represents the better view of the law. However, we add that in most cases the mere provision of food or drink satisfies the *entertainment test*. **It is only in a narrow category of cases where the mere provision of food or drink does not amount to *entertainment* for the purposes of Division 32 of the ITAA.**"

Aust Taxation Office (ATO) in TR 97/17 para 17 & 18.

"The expression *provision of entertainment* is broadly defined in subsection 51AE(3). It means the provision of:

- (a) entertainment by way of food, drink or recreation; or
- (b) accommodation or travel in connection with, or for the purpose of facilitating, entertainment to which paragraph (a) applies."

TD 94/55 para 1 "quote"
ITAA 1997 S32.10, 32.30
FBTAA 1986 S37AD

50/50 Split Method:

This method means that the total cost of all entertainment (irrespective of the numbers of staff, associates or guests in attendance) will be split 50/50. 50% will be subject to FBT with 50% of the GST credits claimable, while the other 50% of the total cost will **not** attract an FBT liability and the associated GST credits on this portion will **not** be claimable.

FBTAA 1986 Div 9A see Subdivisions A & B, and especially section 37BA

Rules:

1. Treat all food and drink and associated expenses as Meal Entertainment (ME) unless there is a specific exemption that you are entitled to use. Put cost to code **33201** and claim all GST credits, Finance will calculate the FBT & write back GST not claimable.
2. If wishing to take advantage of an **exemption category**, please note that sufficient records must be kept to explain and substantiate the transaction. This information must be captured on an **Entertainment Form** (or some other method) and must be attached to the invoice before processing. The responsibility rests with the department to ensure that this information is captured, attached & retained on file within the department for all credit card transactions. If entertainment information is not available by the payment date, the expense must be classified and coded as Meal Entertainment (ME).
3. The Entertainment Form is no longer required to be submitted for all transactions. This form was developed by Finance in conjunction with a number of Finance Officers. It was designed to specifically assist with the capture of the relevant information required to claim either an **exemption** from FBT or a **reduction** in the amount of FBT liability for a particular function, especially useful when the Finance Officer was not the person organising the function. With the 50:50 split method for assessing FBT on Meal Entertainment the exact numbers of staff, associates and guests at any function are no longer relevant to the calculation of the FBT liability. If a function is not exempt then the total cost goes to 33201. If a function is exempt, then the Entertainment Form must still be used to document the elements necessary for claiming the exemption from FBT (eg when using codes 33203, 33204 and 33206).
4. Food and drink is generally a private expense & unless FBT is paid, or it is otherwise excepted, then no GST credits are claimable on the expense.

Code **33201**
FBTAA 1986 S132 (records)

For Credit Cards retain Entertainment info within the dept. For PO, ExtPayRequest & Petty Cash, Ent info must accompany the invoice.

You must document elements necessary for claiming an exemption from FBT otherwise code to ME. Use either Entertainment Form or Entertainment Stamp etc.

Type of Entertainment/Non-Entertainment	Meal Entertainment (ME) Property Fringe Benefit Expense Payment F.B. Recreation (R)	Subject to FBT Y/N	GST input Tax Credits (If GST paid) Y/N	References & Coding
Entertainment Examples:				
<p>(a) Social activity or function (could be to farewell senior staff, welcome new senior staff, entertain important guests, staff awards' function of less than 4 hours duration, Dean's drinks etc)</p> <ul style="list-style-type: none"> - Food & drink (includes alcohol, caterers, waiters, decorations) - Taxi travel to and from the function - Band of musicians or other entertainers 	<p>ME Property/Expense Recreation (R)</p>	<p>Yes 50% Yes 100% Yes 50%</p>	<p>Yes 50% Yes 100% Yes 50%</p>	<p>ITAA 1997 S.32.10, 32.30 TR 97/17 para 25 & table TR 2007/12 para 64 FBTAA 1986 s.38,39,58P(1), 58Z GSTR 2001/3 para 48-52 Code 33201 for total cost Code 33607 (no minor benefit) Code 33201 (author's notes)</p>
<p>(b) Business Lunches or Dinners - business meetings may be conducted over lunch/dinner at a café/restaurant & these meals are classified as ME. Venues affected include all off campus businesses, the QCWT restaurant, The OC Springfield, as well as the Student Guild's Coffee Club, Pot Belly and Clive Berghoffer Rec Centre.</p> <ul style="list-style-type: none"> - employees and associates - clients, contractors, suppliers, agents 	<p>ME ME</p>	<p>Yes 50% Yes 50%</p>	<p>Yes 50% Yes 50%</p>	<p>ITAA 1936 s.51AEA FBTAA s.38 & 39 (Div 10) ANTS(GST) s.69-5 TD 94/25 TR 97/17 para 20 Code 33201 for total cost Code 33201 for total cost</p>
<p>(c) Hospitality - food and drink is generally treated as a private expense and, unless FBT is paid on it, or it is otherwise exempt under the provisions or excepted from the provisions, then <u>no</u> GST credits are claimable on the expense. On Campus:- all "meals" (that is, other than finger food) served on campus will be ME; for available exemptions from FBT see pages 3 to 8 of these notes. Travelling:- when staff are travelling and extend hospitality to agents then the cost of the agent's meals will be treated as ME unless the agent is also travelling; when senior staff travel with a relative, then the relative's meals will be taxable unless the relative is performing "substantial duties" and it is "reasonable to conclude" that the relative would still be travelling even if there had not been a "personal relationship" (see ITAA 1997 section 26.30).</p> <ul style="list-style-type: none"> - all "meals" on campus (other than finger food) - associates/relatives/partners not "performing substantial duties" - clients, contractors, suppliers & agents not travelling - clients, contractors, suppliers & agents who are travelling 	<p>ME Property/Expense ME Not entertainment</p>	<p>Yes 50% Yes 100% Yes 50% N</p>	<p>Yes 50% Yes 100% Yes 50% Yes 100%</p>	<p><i>USQ Management will allow the apportionment of meal costs when hospitality is combined with overnight travel. Use per head basis of apportionment for meals - travelling staff 33203, travelling associates 32980, travelling agents 33203, and non-travelling agents 33201.</i></p> <p>Code 33201 for total cost Code 32980 (no minor benefit) Code 33201 for total cost Code 33203</p>

USQ (Tax Exempt Body)

Entertainment

50/50 Split Method

Type of Entertainment/Non-Entertainment	Meal Entertainment (ME) Property Fringe Benefit Expense Payment F.B. Recreation (R)	Subject to FBT Y/N	GST input Tax Credits (If GST paid) Y/N	References & Coding
Exemptions:				
1 Provided on employer's business premises on a working day:				
<p>(a) Employee & Guest Amenities - tea making facilities, morning & afternoon teas, light lunches consisting of not more than finger food includes tea, coffee, spring water, fruit drinks, cakes & biscuits, pizza, sandwiches, fruit etc <i>but no alcohol</i>. <i>In connection with meetings, training sessions, workshops, overtime, working lunch, weekend work etc actually conducted on working premises usually with food supplied by caterers etc (excludes "eligible seminars" see page 7 of these notes).</i></p> <ul style="list-style-type: none"> - "current employees" only - clients, contractors, suppliers, students - associates and "former employees" 	<p>Not entertainment Not Entertainment Property/Expense</p>	<p>No No Yes 100%</p>	<p>Yes Yes Yes 100%</p>	<p>FBTAA 1986 s.38-41, 47(4) TR 97/17 para 19-20, and 25 IT 2675 para 1-10, 16-18 <i>No minor benefit exemptions for non-work functions (eg birthday morning teas) for tax exempt body under 50:50 split method, code to a/c 33201.</i> Code 33204 Code 33204 Code 32980 (no minor benefit)</p>
<p>(b) Meals for Restaurant Employees - Meals provided by the employer in a "dining facility" to on-duty employees who perform most of their duties in connection with that "dining facility", as long as the food and drink is <u>not</u> provided to the staff as part of a party, reception, or social function (eg QCWT restaurant).</p> <ul style="list-style-type: none"> - hospitality employees who have a meal during their work shift - hospitality employees attend work party - other employees are provided with a meal 	<p>Not entertainment ME ME</p>	<p>No Yes 50% Yes 50%</p>	<p>Yes Yes 50% Yes 50%</p>	<p>ITAA 1997 S 32.30 Code 32941 Code 33201 Code 33201</p>
<p>(c) Where alcohol is served in any of the above scenarios (even when conducted on business premises) then the expense will be taken to be "entertainment" whether or not business discussions actually took place. Also includes an Awards Function organised by a Faculty in order to allow sponsors to present prizes to students in the presence of their family and supported by their lecturers, serving finger food and alcohol (but less than four hours duration).</p> <ul style="list-style-type: none"> - employees, associates - client, contractors, suppliers, students 	<p>ME ME</p>	<p>Yes 50% Yes 50%</p>	<p>Yes 50% Yes 50%</p>	<p>TR 97/17 para 25 IT 2675 para 8, 18 ITAA 1997 s.32-30 Code 33201 for total cost Code 33201 for total cost</p>

Type of Entertainment/Non-Entertainment	Meal Entertainment (ME) Property Fringe Benefit Expense Payment F.B. Recreation (R)	Subject to FBT Y/N	GST input Tax Credits (If GST paid) Y/N	References & Coding
2 Contract of Service to provide entertainment:				
<p>(a) Where the University organises an out of town graduation ceremony with dinner, and the graduands pay the university in advance for themselves and their guests, including the hire of gowns etc then all the expenses incurred and paid for by the University will be creditable, on the grounds that the conduct of the function was satisfactory performance of the contract.</p> <ul style="list-style-type: none"> - attendees (fully paid up) - employees (travelling overnight) 	<p>Not entertainment Not entertainment</p>	<p>N N</p>	<p>Y Y</p>	<p>ITAA 1997 s. 32-45 Code 33203 Code for Meal Code 33203 Code for Meal</p>
<p>(b) Graduation ceremonies and student orientations (both on-campus and off-campus) with refreshments <u>not more than</u> finger food eg sandwiches, slices, juice, teas & coffee <i>no alcohol</i></p> <ul style="list-style-type: none"> - employees - graduands and family, orientation students 	<p>Not entertainment Not entertainment</p>	<p>N N</p>	<p>Y Y</p>	<p>FBTAA 1986 S.58P ITAA 1997 s. 32-45 Code 33203 Code 33203</p>
<p>(c) Graduation Entertainment - where hospitality and entertainment is provided <i>by invitation only</i> to select staff and select guests, then this will amount to Meal Entertainment.</p> <ul style="list-style-type: none"> - employees and associates - special guests and sponsors 	<p>ME ME</p>	<p>Yes 50% Yes 50%</p>	<p>Yes 50% Yes 50%</p>	<p>ITAA 1997 s. 32-45 Code 33201 for total cost Code 33201 for total cost</p>
<p>(d) The provision of entertainment to a group (or groups) of clients under a contract of service where the entertainment would usually occur at an entertainment venue such as Dreamworld, Movie World, Empire Theatre etc.</p> <ul style="list-style-type: none"> - total cost of the delegation into entertainment venues - employees (dedicated escort duties) 	<p>Not entertainment Generally not entertainment but would need to look at each case because of the nature of venue.</p>	<p>N</p>	<p>Y</p>	<p>ITAA 1997 s. 32-45 Case Pollack Partners P/Ltd Code 33203</p>
<p>(e) Corporate Club - where clients purchase an annual membership which entitles them to 10 networking functions held at monthly intervals throughout the year, and where food and drink are provided in addition to the opportunity to network.</p> <ul style="list-style-type: none"> - clients - executive staff eg VC, PVCs, HODs, Profs etc - employees (Marketing staff working at the function) 	<p>Not entertainment Not entertainment Not entertainment</p>	<p>N N N</p>	<p>Y Y Y</p>	<p>The names of all staff attending these functions <u>at no charge</u> must be placed on an In-House Register for FBT record keeping purposes (see Definitions on last page).</p> <p>Code 33203 Code 33203 or 32931 Code 33203 or 32931</p>

Type of Entertainment/Non-Entertainment	Meal Entertainment (ME) Property Fringe Benefit Expense Payment F.B. Recreation (R)	Subject to FBT Y/N	GST input Tax Credits (If GST paid) Y/N	References & Coding
3 Entertainment to Market or Promote the University:				
(a) Where an event is officially organised to promote the University, and the event organisers <u>either</u> issue free tickets to everybody <u>or</u> advertise to the community at large, as well as to the dignitaries of the University, then the total cost is a creditable supply even when alcohol may be provided eg includes professorial lectures, art show openings etc. - employees - associates - community attendees	Not entertainment Not entertainment Not entertainment	N N N	Y Y Y	ITAA 1997 s.32-40, 32-45 Code 33203 Code 33203 Code 33203
(b) Where the event organisers issue free tickets , but only to the dignitaries of the University, then the event ceases to be an event that "promotes" the University and consideration would need to be given as to circumstances and what type of fringe benefit has been provided. - free tickets for employees - free tickets for associates - free tickets for clients, contractors, sponsors	Recreation (R) Recreation (R) Not Entertainment	Y (threshold) Y (threshold) N	Y Y Y	FBTA 1986 s.48,49 ,62 MT 2044 For the in-house benefits definition see last page. Code 32931 concessional Code 32931 concessional Code 31606 marketing
(c) Open Day events and functions which are advertised to the community at large generally by newspaper advertisements and feature articles, billboards and banners, or community radio are truly promotional as they are genuinely open to the whole community. Expenditure in this category may include: - free sausage sizzle, pizza & soft drink, tea & coffee - decorations & signage purchased solely for Open Day - prizes and giveaways for competitions etc - USQ booths selling hot and cold drinks and food - entertainers (bands, belly dancers, didgeridoo players etc)	Not entertainment Not entertainment Not entertainment Not entertainment Not entertainment	N N N N N	Y Y Y Y Y	ITAA 1997 s.32-40, 32-45 Code 33203 promotional Code 33203 promotional Code 33203 promotional Code 33203 contract of service Code 30808 profess'al services

Type of Entertainment/Non-Entertainment	Meal Entertainment (ME) Property Fringe Benefit Expense Payment F.B. Recreation (R)	Subject to FBT Y/N	GST input Tax Credits (If GST paid) Y/N	References & Coding
4 Food and drink (including alcohol) consumed by employees travelling overnight** on business:				
<p>The trip may be to attend a conference or seminar conducted by an external provider, it could be travel to promote the USQ or to undertake a purchasing trip. The employee's food and drink may include alcohol and the expense will not attract FBT under the "otherwise deductible" rule.</p> <p>If excessive alcohol is provided, then the food and drink will be considered Entertainment. Also if the meal is accompanied by a dance, floor show or other entertainment, then the ATO will consider that Entertainment has been provided (Refer ATO's FBT for Non-Profit Organisations and also refer to the Amway Case).</p> <p>When senior staff travel with a relative, then the relative's meals will be taxable unless they are performing "substantial duties" and it is "reasonable to conclude" that the relative would still be travelling even if there had not been a "personal relationship" (see ITAA 1997 section 26.30).</p>				<p>ITAA 1997 S 8.1 plus "otherwise deductible rule" TR 97/17 para 21, 70--></p> <p><i>USQ Management allow the apportionment of meal costs when hospitality, or spouse's meal, is combined with o'night employee travel. Use per head basis for apportionment.</i></p>
(a) Travelling employee dines alone or with other travelling employee	Not entertainment	N	Y	Code 33203
(b) Travelling employee dines with non-travelling employee - travelling employee's meal - non-travelling employee's meal	Not entertainment ME	N Yes 50%	Y Yes 50%	Code 33203 Code 33201
(c) Travelling employee dines with travelling client - travelling employee's meal - travelling client's meal	Not entertainment Not Entertainment	N N	Y Y	Code 33203 Code 33203
(d) Travelling employee dines with non-travelling client - travelling employee's meal - non-travelling client's meal	Not entertainment ME	N Yes 50%	Y Yes 50%	Code 33203 Code 33201
(e) Travelling employee dines with a relative/"associate" who performs no "substantial duties" for the employer - travelling employee's meal - associate's meal	Not entertainment Property/Expense Benefit	N Yes 100%	Y Yes 100%	ITAA 1997 S26.30 TR 97/19 para 136-138. Code 33203 Code 32980 (no minor benefit)
(f) Travelling employee seeks only payment of a Daily Travel Allowance not exceeding the Taxation Office rates for that year.	Not entertainment	N	N (No Tax Invoice)	Code 33602 - within Australia Code 33702 - o/side Australia
(g) If an overnight stay is not involved and the employee returns that same day, even if very late, then employee's meal will attract an ** FBT liability. (Cost of meal must be taxed under FBTAA as ME or alternatively through payroll as a taxable allowance).	ME	Yes 50%	Yes 50%	Code 33201

USQ (Tax Exempt Body)

Entertainment

50/50 Split Method

Type of Entertainment/Non-Entertainment	Meal Entertainment (ME) Property Fringe Benefit Expense Payment F.B. Recreation (R)	Subject to FBT Y/N	GST input Tax Credits (If GST paid) Y/N	References & Coding
5 Eligible Seminars conducted by USQ				
<p>(a) An eligible seminar includes a conference, convention, lecture, meeting (including a meeting for the presentation of awards), speech, "question and answer session", training session or educational course which goes for at least 4 hours duration (not counting meal and recreation breaks) but is not a business meeting.</p> <p>- Food and drink (which may be more substantial and may include alcohol), may also include accommodation and travel, that are all reasonably associated with an "eligible" seminar</p>	Not entertainment (Education Motif)	N	Y	ITAA 1997 s.32-35, 32-65 TD 93/195 Code 33206/Travel codes
<p>(b) Business meeting has as its main purpose the giving/receiving of information pertaining to the business, the discussion of matters relating to the business, strategic planning etc</p>	ME	Yes 50%	Yes 50%	Code 33201 for total cost
<p>(c) Business meeting <u>becomes</u> an eligible seminar if it is:-</p> <p>(i) organised by or on behalf of the employer solely for <u>either</u> training the employer/employees in matters relevant to the business <u>or</u> enabling discussions on general policy issues relevant to the internal management of the organisation (includes strategic planning); and</p> <p>(ii) conducted on property that is occupied by a person (other than the employer) whose business includes organising seminars or making property available for conducting seminars eg DPI Conference Rooms which are specifically set up with whiteboards etc</p>	Not entertainment	N	Y	Must use bona fide Conference Facility to use this exemption. Code 33206
6 Continuing Professional Development (CPD) Seminars run by Professional Body - food & drink consumed				
<p>Workshop, 2 hours duration, serves afternoon tea with tea and coffee => the food and drink does <u>not</u> constitute entertainment.</p>	Not entertainment	N	Y	TD 93/195 examples "Otherwise deductible" rule - 32805
<p>Twilight seminar, 5 hours duration including a dinner break of 1 hour during which a 3-course meal with alcohol is provided => food and drink does constitute entertainment <u>but</u> reasonably incidental to the conduct of the "eligible seminar" (at least 4 hours training).</p>	Not entertainment	N	Y	No FBT because of the "otherwise deductible" rule for an "eligible seminar" - 32805
<p>Luncheon seminar, 4 hours duration includes 1 hour for the dinner break where a 2 course meal is provided => the food and drink does constitute <u>entertainment</u> because it is <u>not</u> an "eligible seminar" of 4 hours duration (only 3 hours training component).</p>	ME	Y	Y	Registration Fee is "otherwise deductible" - 32805 Meal Component will attract FBT - 33201

USQ (Tax Exempt Body)

Entertainment

50/50 Split Method

Type of Entertainment/Non-Entertainment	Meal Entertainment (ME) Property Fringe Benefit Expense Payment F.B. Recreation (R)	Subject to FBT Y/N	GST input Tax Credits (If GST paid) Y/N	References & Coding
7 Appointment & Relocation Expenses:				FBTAA 1986 58F,142A,143A
- Interview Expenses such as food and drink purchased while travelling to attend an interview	Not entertainment	N	Y	Code 32802
- Relocation Expenses such as food and drink purchased for the appointee and family while travelling to take up the new position	Not entertainment	N	Y	Code 32802
- Relocation Expenses such as food and drink purchased for the appointee and family while in exempt temporary accommodation at the new location	Not Entertainment	N	Y	Code 32802
- Relocation Expenses such as food and drink purchased for the appointee and family while in <u>non-exempt temporary accommodation</u> at the new location is not fully exempt	\$2/person > 12years/meal \$1/person < 12 years/meal	Y	Y	FBTAA section 61 D Code 32802
- Once in permanent accommodation all food and drink will become subject to FBT as Meal Entertainment.	ME	Yes 50%	Yes 50%	Code 33201 for total cost
8 Gifts				
Bottle of whisky/wine/port, food/drink hamper or basket, bottle of perfume, flowers, pen set - relatively inexpensive and infrequent, and which will be consumed at home (deferred consumption).				TD 94/55 FBTAA 1986 S.58P TR 2007/12
- employees and associates (if exempt benefits)	Not entertainment	N ***	Y	Code 31602 deferred consumption
- employees and associates (if not exempt)	May constitute entertainment	Y	Y	Code 33201 immediate consumption
- employees and associates (Xmas gift @ Xmas function)	ME	Yes 50%	Yes 50%	Code 33201 immediate consumption
- clients, contractors, suppliers (within Australia)	Not entertainment	N	Y	Code 31602
- clients, contractors, suppliers (overseas)	Not entertainment	N	Y	Code 31603
*** some specific exemptions may be available such as <i>minor benefits, long service leave awards, or safety awards.</i>	Not entertainment			Minor benefits < \$300 (from 1st April 2007 <u>excludes</u> meals).
*** a meal in a restaurant can <u>never</u> be an exempt minor benefit when the employer is a tax exempt body.	ME	Yes 50%	Yes 50%	Code 33201 non-reportable
*** movie tickets provided to staff can <u>never</u> be an exempt minor benefit, but instead is non-deductible entertainment benefit.	Recreation (R)	Y	Y	Code 32980 reportable benefit

Type of Entertainment/Non-Entertainment	Meal Entertainment (ME) Property Fringe Benefit Expense Payment F.B. Recreation (R)
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Definitions:

- an **associate** of the employee includes a relative, a spouse (legal or defacto) but does not include a casual friend, boyfriend, or girlfriend. (generally all benefits provided to an **associate** of an employee will be subject to FBT - in the same manner as if the employer had provided it to the employee, but unfortunately without attracting some of the concessional treatments that are available for some benefits which are provided directly to the employee);
- an **employee** is defined to mean a current, future or former employee - unless the section specifies a "current employee" see points 1 (a) & (c) above;
- **entertainment** is the provision of *entertainment* by way of food, drink or recreation, or, *accommodation or travel* in connection with, or to facilitate the provision of, such entertainment (not reportable benefits). *Excludes* the hiring or leasing of entertainment facilities (see Recreational Entertainment below).
- the term **entertainment** was left by Parliament to receive its meaning in ordinary language, and that meaning in this connection is "amusement"; however the ATO's interpretation is that in most cases the mere provision of food and drink satisfies the "entertainment" test. 'It is only in a narrow category of cases where the mere provision of food or drink does not amount to "entertainment" for the purposes of Division 32 of the ITAA.' (TR97/17 para 18);
- **expense payment fringe benefits** occur when the employee incurs an expense and their employer either (a) reimburses the employee or (b) pays the third party in satisfaction of the expenses incurred. The expenses may be business expenses or private expenses or a combination of the two.
- **in-house benefits** are incurred when the goods, property or services which are provided to employees and their associates are of a kind that the employer sells or provides in the ordinary course of business eg theatre tickets. The taxable value of the benefit is generally 75% of the lowest price charged to the public less any amount paid by the employee. The first \$1,000 of the aggregate of the taxable values of certain in-house benefits given to an employee in a year is exempt from fringe benefits tax (FBTAA s.62);
- **minor benefits** are exempt under S 58P where they are infrequent, have an aggregate value of less than \$300 from 1/04/2007 (including similar benefits and associates' benefits), may be practically difficult to value the benefits, may be provided to assist an employee to deal with an unexpected contingency, but are **not** a reward for services, **not** an airline or in-house fringe benefit, and generally **not** available for tax-exempt body meal entertainment except as follows:
 - (i) the provision of entertainment is incidental to the **provision of entertainment to outsiders** and does not consist of a meal, (only light refreshments), or
 - (ii) a function is held on business premises solely as a means of recognising **the special achievements of an employee** - only the benefits provided to the employee and their associates are exempt from FBT.
- **morning & afternoon teas** and **light refreshments** provided on a working day either on the employer's premises or at a worksite of the employer is not the provision of entertainment; *however the expenditure must be incurred in the course of gaining assessable income (or carrying on business for this purpose) and that it not be of a capital, private or domestic nature* . "It is merely the provision of refreshments to enable the employees or associates to complete the working

Type of Entertainment/Non-Entertainment	Meal Entertainment (ME) Property Fringe Benefit Expense Payment F.B. Recreation (R)
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Definitions (continued):

day in comfort. The same may be said of light meals provided by a taxpayer (employer) to employees or their associates on a working day". The employer may consume refreshments from the same source as available to employees, and the additional costs will be deductible (IT2675). This provision constitutes a property benefit, which is only exempt for "current" employees under FBTA s 41, but it is not exempt for associates or "former" employees. See point 1(a) above.

- **"otherwise deductible rule"** - if an employee incurred an expense solely in the performance of employment-related duties, the expenditure would be wholly deductible for income tax purposes. Under the "otherwise deductible rule" if the employer reimbursed the employee for all or part of this expense then the taxable value of the benefit would be nil, that is, no FBT payable.
- **property fringe benefits** arises when an employee is provided with property (either free or at a discounted price) by the employer. This applies to all types of "property" such as goods (books, stationery, briefcase), shares, securities, and rights. "Property" may be provided in relation to travel within Australia or outside Australia. Goods supplied to, and consumed by, an employee on a working day and on the employer's premises (eg morning teas, finger food, kitchen and bathroom facilities etc) are **exempt property benefits**.
- **recreational entertainment** includes amusement, sport and similar leisure time pursuits, for example, a game of golf (entry/green fees), the provision of tickets to sporting or theatrical events & movies, and holidays (**these are reportable benefits - code 32980**). **recreational entertainment** also includes hiring or leasing of entertainment facilities, for example, corporate box, boats and planes for providing entertainment, or premises or facilities for providing entertainment eg function rooms (**these are not reportable benefits in the same way that entertainment is not reportable**).
- **reportable benefits** are required to be reported on employees' annual payment summaries since 1st April 1999 but only where the value of the individual's fringe benefits amount exceeds the FBT reporting threshold (this threshold increased to \$2,000 on 1st April 2007). The individual's fringe benefit amount is "grossed up" for reporting purposes to give the reportable fringe benefits amount. Benefits specifically excluded from these reporting requirements are entertainment and (since 1st April 2007) the pooled/shared car benefit. Benefits provided to an "associate" are grossed up and included in the employee's reportable benefits amount. Consequences of having a reportable benefit, although not included in the assessable income, may impact on a number of income tests relating to government benefits and obligations such as HECS repayments, child support payments, Medicare levy surcharge, superannuation surcharge etc
- **tax-exempt body entertainment fringe benefit** is the entertainment, provided to an employee of a tax-exempt body, which arises from non-deductible entertainment expenditure, that is, the employer does not directly derive assessable income from the activities to which the entertainment relates (ATO's FBT Guide)
- **taxi travel** when provided to employees for work-related travel purposes is exempt; taxi travel for sick or injured employees to travel home or to an alternative place for treatment (eg doctor's surgery or hospital) or for care (eg relative's place) is exempt from FBT. (FBTAA 1986 S 58Z) **code 33606 domestic taxi travel** for travelling to and from dinners and functions is subject to FBT **code 33607 domestic** (no minor benefits or exempt property benefits)