



FBT, The Holiday Season & Your Employees

At the end of the year, you may be looking for extrinsic ways to thank your hardworking employees or faithful customers/clients.

A work Christmas/end-of-year party may be a method employed by many businesses to demonstrate their gratitude towards staff, but the expense can be a deciding factor.

Christmas/holiday parties are regarded as "entertainment" expenditures, which means they are not tax-deductible. The employer may have to pay FBT if the party costs \$300 or more per person.

It may also be that an end-of-year party might not be feasible for your business this year. Instead, it may be a better idea to thank your staff by giving certain items known as "non-entertainment" gifts. These non-entertainment gifts must cost less than \$299.99 but are fully tax-deductible and carry no FBT.

Non-entertainment gifts are usually exempt from FBT when the total cost of the gift is less than \$299.99 (inclusive of GST). An employer can also claim tax deductions and GST credits for every non-entertainment gift to staff members.

These gifts could include beauty or skincare products, flowers, wine, gift vouchers or hampers.

If you provide a similar gift to the spouse/partner of an employee, the FBT exemption will also be valid. This can be a nice way to say thank you to the hard-working members of your staff while promoting a positive work culture.

Providing your employees with gifts considered to be "non-entertainment gifts" but costing \$300 or more (including GST) is less tax effective. Even though the gift giver can still claim a tax deduction and GST credit, FBT must be paid at 49%.

You can still give staff members entertainment gifts as a way of saying thank you, though this is a less beneficial and tax-favourable option from an employer's point of view.

Examples of entertainment gifts include tickets to a play, sports event, musical, theatre or even providing a holiday.

These gifts may not be FBT payable if they cost less than \$299.99 (including GST) or claimable for a tax deduction or GST credit. However, if they cost more than \$300 (including GST), an employer can claim a tax deduction and GST credit, but FBT is payable at 49%.

Some fringe benefits (such as these gifts) may need to be included in payment summaries. When the value of certain fringe benefits amounts to more than \$2,000 in an FBT year, it is your responsibility to record that amount in your payment summary.

Want to know more about possible FBT exemptions that might apply to gifts you give to your employees this holiday season? Speak with us about how you can make this work for your situation.

Disclaimer for External Distribution Purposes:

The information contained in this publication is for general information purposes only, professional advice should be obtained before acting on any information contained herein. The receiver of this document accepts that this publication may only be distributed for the purposes previously stipulated and agreed upon at subscription. Neither the publishers nor the distributors can accept any responsibility for loss occasioned to any person as a result of action taken or refrained from in consequence of the contents of this publication.