

EMPLOYER: _____

FRINGE BENEFITS TAX
ENTERTAINMENT INFORMATION SHEET
1 APRIL 2018 TO 31 MARCH 2019

If you require assistance with preparing the entertainment worksheet, please contact Jessica Page from Aitken O'Grady.

ENTERTAINMENT

Total Meal Entertainment provided: \$ _____

ENTERTAINMENT METHOD

Please advise which method has been used in calculating meal entertainment (Please circle): 50/50 Method / Actual Method / Unsure

If you have selcted the 50/50 method, please fill in the Election by employer to adopt 50/50 split method

If you have selected the actual method, please complete the below sections.

FBT CALCULATION ACTUAL METHOD

If sufficient details available, please provide a break up of entertainment below.

Total Meal Entertainment provided to:

* Employees/Staff	\$ _____	
* Associates of employees/staff	\$ _____	\$ _____
		(Total expenditure)

Deduct the following from meal entertainment:
 (if not already excluded from the above)

* Meal entertainment that was minor, infrequent and irregular (only include if using the actual method)	\$ _____	
* Employer-provided staff amenities	\$ _____	
* Morning and afternoon tea items	\$ _____	
* Meals consumed while overnight business travel	\$ _____	
* Recreation expenses	\$ _____	
* Meals consumed in eligible dining facility	\$ _____	
* Meals consumed at a professional development seminar	\$ _____	\$ _____
		(Total deducted)

Total meal entertainment \$ _____
 (Total meal expenditure less deductions)

Please attached general ledger extract to support workings

I hereby declare the particulars shown above are true and correct in every detail.

SIGNED
 Employer / Public Officer

_____/_____/_____

DATE

ELECTION BY EMPLOYER TO ADOPT 50/50 SPLIT METHOD

I, _____ hereby give notice that
(name of authorised person)

(name of employer)

elects to adopt the **50/50 Split Method** of valuing **meal entertainment** fringe benefits provided during the period 1 April 2018 - 31 March 2019

By electing the 50/50 split method, I acknowledge the taxable value for FBT purposes of meal entertainment fringe benefits provided to our employees, associates and non-employees is half the meal entertainment expenses incurred for the FBT year of tax.

I advise that the taxable value of meal entertainment expenses is net of any employee contribution actually paid. Also, I confirm that **recreation** expenses have been **excluded**, including non-meal entertainment outgoings.

Name of authorised person: _____

Signature of authorised person: _____

Date: _____

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ENTERTAINMENT INFORMATION SHEET

The Concept of Entertainment

For FBT purposes, entertainment takes its meaning from the income tax definition of entertainment and is defined as follows:

- a) entertainment by way of food, drink or recreation; or
- b) accommodation or travel to do with providing entertainment by way of food, drink or recreation.

Importantly an employer is taken to provide entertainment even in business discussions or transactions occur and, on this basis, business lunches and social functions are considered to be entertainment. This basically reinforces the fact that activities that would generally be considered to be entertainment will be treated as such notwithstanding any actual (or purported) relationship with business activities.

Based on the above definition of entertainment, an employer's entertainment expenditure will generally be classified as either 'meal entertainment' or recreations

- Meal Entertainment broadly arises from the provision of food or drink (or related accommodation or travel)
- Recreation includes any form of amusement, sport or leisure-time pursuit. Examples include hiring an entertainer, a game of golf, tickets to a movie or sporting event.

It is important to distinguish meal entertainment from recreation as recreation is generally valued under the 'actual method'. Recreation provided to an employee may need to be reported on the employee's payment summary. In contrast, meal entertainment is not reportable.

Once an employer has identified that expenditure incurred on food and drink during the FBT year has the character of meal entertainment, the employer must generally determine the FBT consequences of this expenditure using one of the following three valuation methods:

- Actual entertainment expenditure method
- 50/50 split method
- 12 week register method

In most cases, employer will value their meal entertainment expenditure using either the actual method or the 50/50 split method. The 12 week register is rarely used because of the onerous record keeping obligations imposed on an employer.

The Actual Method

Under the actual method, FBT is generally only payable on the portion of meal entertainment expenditure that is related to employees and their associates (e.g.. Family members). Therefore, FBT is not payable on meal entertainment provided to non-employees (e.g.. Clients).

Employers can determine how much of their meal entertainment expenditure relates to employees and their associates on the basis of either:

- the **exact cost** attributable to each employee and associate; or
- a **'per head' apportionment**, where an exact allocation cannot be easily be made from the available information

FBT exemptions available using The Actual Method

- **The Property Benefit Exemption** - This exemption will apply where food and drink is provided to, and consumed by, a current employee, on a working day, on the employers business premises (e.g.. Food and drink provided to employees on Friday night after work)
- **The Minor Benefit Exemption** - This exemption generally applies where the GST inclusive cost of food and drink is less than \$300 per employee, the employee is provided with these or similar benefits on an infrequent (less than 10 occasions) and irregular basis during the FBT year and certain other criteria are met.
- **The Exemption for Taxi Travel** - This exemption basically applies where taxi travel is provided with meal entertainment (e.g.. For a work Christmas party), and the travel is a single trip that begins or ends at the employee's place of work.

Under the actual method, an income tax deduction is only allowed on the portion of meal entertainment expenditure that is subject to FBT (i.e.. Generally, any portion related to employee and associates)

GST Input Tax Credits can only be claimed (for any GST paid) on that portion of meal entertainment that is deductible (i.e.. Generally subject to FBT)

50/50 Split Method

Under the 50/50 method, FBT is payable on 50% of the employer's total meal entertainment expenditure for an FBT year, irrespective of who is being entertained (i.e.. Employees or non-employees)

An employer who elects to value their meal entertainment benefits using the 50/50 split method **cannot** apply certain general FBT exemptions in relation to their meal entertainment benefits, this includes the Property Benefit Exemption, The Minor Benefit Exemption and the Taxi Travel Exemption.

For GST purposes, under the 50/50 split method, 50% of an employers total meal entertainment expenditure is eligible for GST input tax credits.

Under the 50/50 split method, only 50% of an employer's total meal entertainment expenditure is deductible for Income Tax purposes.

Please note that the information provided should not be solely relied upon when preparing your meal entertainment worksheet. Should you require clarification or further assistance completing the Entertainment worksheet, please contact Jessica Page from Aitken O'Grady.