

JAS PARTNERS

CHARTERED ACCOUNTANTS

BUSINESS ADVISERS – TAXATION PROFESSIONALS – SUPERANNUATION CONSULTANTS

MONTHLY TAX TIP

PROVIDING CHRISTMAS GIFTS THAT ARE FBT EXEMPT AND TAX DEDUCTIBLE

It is common for an employer to buy Christmas gifts for their employees, key clients, suppliers etc. Where the Christmas gift is not considered to be entertainment, an employer can avoid paying FBT whilst still being able to claim a full tax deduction for the cost of the gift.

Non-entertainment gifts generally include items such as a Christmas hamper, a bottle of wine or whiskey, a gift voucher, flowers, a pen set and a bottle of perfume.

Where these types of gifts are provided to employees and their family members at a cost of **less than \$300** each, they will qualify for the minor benefits exemption under S.58P of the FBT Act where certain conditions are met (eg. similar or identical benefits are not frequently/regularly provided to the employee).

Even where such gifts are provided as part of a Christmas party/function, there is no requirement to aggregate the cost of other benefits associated with the function (eg. food and drink) when applying the \$300 minor benefits exemption threshold. That is, the cost of each benefit is considered separately.

Furthermore, an employer can claim a tax deduction for the cost of such non-entertainment gifts (excluding any GST input tax credit entitlement) whether or not any FBT is payable, Refer also to TR2007/12.

Where these types of gifts are provided to non-employees (eg. clients and suppliers), there is no FBT payable by the taxpayer and the taxpayer can claim a tax deduction for the cost of the gift (excluding any GST input tax credit entitlement).

In contrast, where a Christmas gift **is** considered to be **entertainment** (eg. ticket to the theatre, a movie or a sporting event), it can still qualify for the minor benefits exemption (where it is provided to an employee and/or a family member). However, where the exemption applies, no tax deduction will be available to the employer. Where such a gift is provided to a non-employee (eg. a client or supplier), it will **not** be subject to FBT and will **not** be tax deductible.

Editor: The FBT and tax implications of Christmas parties and similar functions will be examined in more detail at the NTAA's FBT seminar running in February and March 2014.

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