



Festive Season Considerations

With Christmas and New Years approaching, both business owners and employees are looking forward to some well-deserved relaxation and, hopefully, some sunshine.

The end of the year often means Christmas parties or fun activities to reward your team for all their hard work throughout year. Employers may choose to reward staff with gifts or bonuses as a token of appreciation for their efforts and results. It is important to understand there could be some potential Fringe Benefits Tax (FBT), and other tax liabilities, associated with these types of rewards.

Christmas Expenses: Advice on tax-deductible entertainment and gift expenses to ensure compliance with FBT rules

Employees Bonuses Taxes and On-Costs Bonuses

These are an excellent way to show appreciation to staff and can assist with both providing motivation for the next year and retaining valuable staff. The remittance of bonuses can also often be a point of difference between yourself and competing businesses. When deciding to pay a bonus, employers should consider the tax implications and associated on-costs.

Bonuses are considered taxable income and are therefore subject to PAYG Withholding. Employers are also liable for superannuation guarantee, workers compensation premiums and payroll tax (if registered) on bonus payments if they form part of OTE (ordinary times earnings).

Entertainment FBT Considerations

The ATO deems entertainment to mean a case where a business provides food, drinks or recreation to employees and their associates. Fringe Benefits Tax (FBT) could result from you providing any of the following entertainment related fringe benefits:

- ❖ Paying for food or drinks on behalf of staff
- ❖ Providing staff with tickets to events or functions;
- ❖ Paying for memberships on behalf of staff e.g. for gyms or sporting clubs;
- ❖ Hosting a function for staff (& their partners/families).

If you are providing fringe benefits to staff, there may be tax implications unless the benefit is specifically exempt from FBT.

Common FBT Exemptions

- The first exemption is where the food and drink you provide (in any circumstance, not just for a Christmas party) meets all the following criteria:
 - Is for current employees
 - Is consumed on the business premise

- Is during a work day. For example, workplace tea & coffee facilities, or light meals provided during training sessions, are not subject to FBT. Note: exemption not applicable to employees' associates (such as spouses or children).
- The second exemption covered is the 'minor benefits exemption' and applies when the taxable value of the benefit provided is less than \$300 (GST inclusive) per person. When determining whether this exemption applies, you need to consider the frequency of the benefits i.e. are the benefits regular and systematic, or sporadic? Where this second exemption applies, the expense will not be subject to FBT, however it is also not tax deductible, and no GST credits can be claimed.

Christmas Parties & FBT Having a Christmas party for staff away from the business premises is considered 'entertainment' for FBT purposes. However, the second common exemption ('minor benefit exemption') may apply. Each case is different, but where the cost is less than \$300 per head, this generally would mean no FBT is payable, but no tax deduction or GST credits could be claimed. If you are feeling generous, and are looking to spend more than \$300 per head, then FBT would likely apply.

However, you could then claim a tax deduction on entertainment expenses to the extent *FBT is paid* on those expenses.

As with most tax-related things, there are many intricacies in relation to entertainment and FBT that can lead to different outcomes!

67%

of Australians born between 1976 and 1982 – the cusp of the Millennial/Gen X divide – earn more than their parents did at a similar age.

Source: [Productivity Commission](#)

Gifts & FBT

While most gifts provided to staff would attract FBT, there are some gifts that may be exempt from FBT. These are 'non-entertainment' gifts such as a hamper costing less than \$300. The hamper would need to include 'non-entertainment' gifts such as food



CAPRARO CONSULTING PTY LTD IS A CPA PRACTICE
ACN 127 453 785

THE MATERIAL AND CONTENTS PROVIDED IN THIS PUBLICATION ARE INFORMATIVE IN NATURE ONLY. IT IS NOT INTENDED TO BE ADVICE AND YOU SHOULD NOT ACT SPECIFICALLY ON THE BASIS OF THIS INFORMATION ALONE. IF EXPERT ASSISTANCE IS REQUIRED, PROFESSIONAL ADVICE SHOULD BE OBTAINED.



products or flowers for the employee to consume at home. Conversely, things like movie tickets or restaurant vouchers would be considered 'entertainment' gifts, and subject to the FBT rules. 'Entertainment' gifts are not treated the same concessional way as 'non-entertainment' gifts. The joys of taxation.....

Holiday Pay Obligations: Reminder of employer legal obligations for employee entitlements during the festive season

Employers in Australia have several legal obligations for annual leave, including:

Payment: Employees are paid their base rate for all hours of annual leave taken, excluding overtime, penalties, allowances, and bonuses.

Entitlement: Full-time and part-time employees are entitled to four weeks of annual leave for every 12 months worked.

Leave loading: Many awards and agreements require employers to pay an extra percentage on top of the base rate, usually 17.5%.

Allowances: Some enterprise agreements may also allow employees to receive some of their usual allowances while on annual leave.

Breakdown: Employers must provide a breakdown of all loadings, allowances, and other amounts on the payslip.

Records: Employers must keep records showing how much leave an employee has accumulated and taken.

Agreement to cash out: If an employee wants to cash out their annual leave, they must have at least 4 weeks of annual leave left. The agreement must be in writing and specify the amount of leave to be cashed out, the payment, and the date of payment.

Refusing leave: Employers can only refuse an employee's request for annual leave if the refusal is reasonable.

Directing leave: Employers are prohibited from directing employees to take unpaid leave during business shutdown periods.

Casual employees do not get annual leave. The Fair Work Ombudsman has more advice on rules and entitlements during the end-of-year holiday season.

to simplify the loan process, listen to your needs, and offer sound and friendly advice.

No Fuss Home Loans will provide you with a FREE report outlining relevant lenders and products to suit your situation.

There is no obligation to commit and there are no fees payable by you for our service.

Contact our office or Kathy direct.



M 0413 924 401
T 02 8310 2199
F 02 9639 7537

Australian Credit Licence
No: 490262
ABN: 54 268 776 055

Tax Depreciation, Property Valuation & Quantity Surveying

With a decade of experience in the industry, Duo Tax Quantity Surveyors is an Australian owned company who assists investors with their tax depreciation, property valuation, and quantity surveying needs for their residential or commercial investment properties.

Feel free to contact our office or contact George direct on 1300 185 498 or 0481 948 009.

duotax www.duotax.com.au
george@duotax.com.au

Important upcoming dates

- November 24 monthly activity statement due 21/12/2024.
- Lodge and pay Qtr 2 SGC contributions by 28 January 2025.
- December 24 quarterly activity statement due 28/02/25.

Wishing you and your loved ones a joyous holiday season and a bright and hopeful new year ahead. Thank you for being a part of my community, and I look forward to sharing more with you in the coming year.

*Warmest wishes,
Carla Capraro*



Tax agent
25977827



CAPRARO CONSULTING PTY LTD IS A CPA PRACTICE
ACN 127 453 785

THE MATERIAL AND CONTENTS PROVIDED IN THIS PUBLICATION ARE INFORMATIVE IN NATURE ONLY. IT IS NOT INTENDED TO BE ADVICE AND YOU SHOULD NOT ACT SPECIFICALLY ON THE BASIS OF THIS INFORMATION ALONE. IF EXPERT ASSISTANCE IS REQUIRED, PROFESSIONAL ADVICE SHOULD BE OBTAINED.



Finance, Mortgages & Loans

In this environment of rising interest rates, it is important to get help from an expert broker. No Fuss Home Loans strive

Financial planning

Ashleigh Steeles from Evalesco (part of the Australian Advice Network) can assist with all your financial planning needs. They provide a more personal service and empower Clients not only in terms of wealth strategies but are also mindful we need healthy and happy lives.

Feel free to contact our office to arrange an initial appointment.

Ashleigh Steeles
Personal Financial Adviser
9232 6800 | evalesco.com.au