**Christmas gifts**

**Gifts which ARE NOT considered to be entertainment**

These generally include, for example:

* A Christmas hamper, a bottle of whisky, wine, etc; and
* gift vouchers, a bottle of perfume, flowers, a pen set, etc.

Briefly, the general FBT and income tax consequences for these gifts are as follows:

* gifts to employees and family members – FBT is payable (except where the less than $300 minor benefit exemption applies) and a tax deduction is allowed: and
* gifts to clients, suppliers, etc. – no FBT, and a tax deduction is allowed.

**Gifts which ARE considered to be entertainment**

These generally include, for example:

* tickets to attend a theatre, live play, sporting event, movie or the like: and
* a holiday airline ticket or admission ticket to an amusement centre.

Briefly, the general FBT and income tax consequences for these gifts are as follows:

* gifts to employees and family members – FBT is payable and a tax deduction is allowed (except where the minor benefit exemption applies); and
* gifts to clients, suppliers, etc. – no FBT and no tax deduction.

**Non-entertainment gifts at functions**

What if a Christmas party is held at a restaurant at a cost of less than $300 for each person attending, and employees with spouses are given a gift or a gift voucher (for their spouse) to the value of $150?

Under the actual method, for employees attending with their spouses – no FBT is payable because the cost of each separate benefit (including the gift) is less than $300 (i.e., the benefits are not aggregated).

No deduction is allowed for the food and drink, but the gift is deductible.

Where the 50/50 method is adopted:

* 50% of the total cost of food and drink is subject to FBT and deductible; and
* the total cost of all gifts is not subject to FBT because the individual cost of each gift is less than $300.

As the gifts are not entertainment, the cost is deductible.

**Can I Claim a Tax Deduction for Taking Staff or Clients Out to Lunch?**

One area that causes a lot of confusion for small businesses is whether the cost of meals (and coffees) with both potential and existing clients can be claimed as a tax deduction.

And what about staff lunches? Can you take staff out for lunch to discuss business and claim a deduction?

Expenses such as these are classified as **‘Entertainment’** and are generally not tax deductible.

‘Entertainment’ expenses include business lunches and drinks, cocktail parties, sporting events, etc. Whether they are deductible must be reviewed on a case by case basis.

**Factors influencing the deduction include:**

* Why is the food/drink provided? – is it for refreshment or social?
* What food/drink is being provided? – is it a light meal or more elaborate meal? Is alcohol being provided?
* When is food/drink being provided? – is it during work time, overtime or after hours?
* Where is the food/drink provided – is it on business premises or off site at a function/restaurant?

**Some common food and drink scenarios are listed below:**

|  |  |  |
| --- | --- | --- |
| **Type of Food & Drink** | **Deductible** | **Not Deductible** |
| Birthday Cake consumed on Premises | × |  |
| A light meal/drink consumed on premises while workingovertime | × |  |
| A light meal/drink consumed by an employee at a business networking meeting | × |  |
| A business lunch at a café or restaurant |  | × |
| Food/drink consumed while an employee is travelling overnight on business for work purposes | × |  |
| Food/drink consumed at an overnight business or work-related conference | × |  |
| Light refreshments at a seminar | × |  |
| Friday night drinks at the office |  | × |
| Food/drink consumed at a social function held off the business premises |  | × |
| Food/drink consumed at an awards night |  | × |
| Clients Gifts (a bottle of wine or Christmas Hamper) | × |  |