



CHRISTMAS PARTIES AND GIFTS:

DEDUCTIBILITY AND FRINGE BENEFITS ISSUES

It's that time of year again when thoughts turn to Christmas parties and Christmas gifts for employees regarding the deductibility of them for income tax purposes and whether they attract Fringe Benefits Tax (FBT).

CHRISTMAS PARTIES

Generally a staff Christmas party will incur FBT and be deductible for income tax purposes. However, there are a few exceptions to the rule as follows.

- If the Christmas party is for employees only and costs less than \$100 (including GST) per employee. This is regardless of the venue.
- If the Christmas party is held on a working day on your business premises and for current employees only. This is not subject to the \$100 per person limit.
- If the Christmas party is for employees and their associates and held at an external venue, the cost per employee includes the cost of their associate and has to be less than \$100.
- If the Christmas party is for employees and their associates, held on your business premises and the cost per head is more than \$100, then the cost for employees is exempt from FBT and not tax deductible. However the cost for their associates will give rise to a taxable fringe benefit and is deductible for income tax purposes.

Note: The cost of gifts such as bottles of wine and hampers given at Christmas parties is included in the cost per person.

It is important to note that the costs of a Christmas party are only income tax deductible to the extent that they are subject to FBT. Therefore, any costs that are exempt from FBT cannot be claimed as an income tax deduction.

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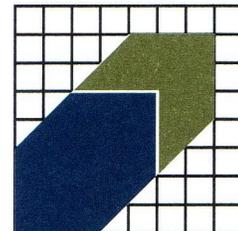
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CHRISTMAS GIFTS

The following Christmas gifts are exempt from FBT and deductible for income tax purposes.

- Christmas hampers, shopping vouchers, bottles of wine and other gifts providing the cost per employee (including GST) is less than \$100. This benefit is only available if such gifts are not given regularly throughout the year.
- A laptop computer, electronic diary/personal organiser, briefcase or calculator given to an employee to own in respect of the employee's employment regardless of the cost.
- Up to \$500 worth of an employer's own goods or services (such as a clothing company).
- The cost of membership to a Flight Lounge operated by an airline (eg. Qantas Club).

Please contact us if any further details are required.

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