

CHRISTMAS PARTIES & GIFTS

The Income Tax, Fringe Benefits Tax (FBT) and Goods & Services Tax (GST) implications of Christmas parties and gifts depend on the circumstances.

If the party is held at your business premises and the party is for current employees, the food and drink provided would be exempt from FBT. A taxable fringe benefit will arise in respect of an associate (such as a partner) of an employee who attends the party unless the benefit provided is under \$300 per person.

However, if the party is held at another location, a taxable fringe benefit will only arise if the cost of the party is more than \$300 per employee and certain conditions are met. The benefit provided to an associate of the employee may also be exempt if the cost of the party for each associate of an employee is less than \$300.

Also, if clients are invited to the Christmas party, the costs associated with the clients attending the function are not subject to FBT, however they are also not deductible for Income Tax purposes.

The cost of providing a Christmas party is income tax deductible only to the extent that it is subject to FBT. If the party is on premises for current employees or the cost of the party is less than \$300 per employee or associated person then it is exempt from FBT and **CANNOT** be claimed as an income tax deduction.

GST is generally claimable on expenses incurred by your business however, if the expense is not deductible for Income Tax purposes, you cannot claim the income tax credit for GST.

If a Christmas gift is provided to the employee at the Christmas party the minor benefit exemption of \$300 will include both the meal and the gift.

However, if they are provided on different occasions, the \$300 limit applies per benefit. As with the Christmas Party, any gifts provided to clients will be not subject to FBT and will not be deductible.

For further clarification, please contact your client manager on (07) 5522 3222. Please find a table overleaf summarizing the above information.

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Benefit Type	Income Tax Deduction	Subject to FBT	Claim GST Credits
Christmas Party on business premises for employees only.	No	No	No
Christmas Party on business premises for employees and associates (less than \$300 per person)	No	No	No
Christmas Party on business premises for employees and associates (more than \$300 per person)	Yes	Yes	Yes
Christmas Party off business premises for employees only (less than \$300 per person)	No	No	No
Christmas Party off business premises for employees only (more than \$300 per person)	Yes	Yes	Yes
Christmas Party off business premises for employees and associates (less than \$300 per person)	No	No	No
Christmas Party off business premises for employees and associates (more than \$300 per person)	Yes	Yes	Yes
Christmas Party for clients	No	No	No
Christmas gifts for employees – provided on different occasion to Christmas party (less than \$300 per person)	No	No	No
Christmas gifts for employees – provided on different occasion to Christmas party (more than \$300 per person)	Yes	Yes	Yes
Christmas gifts for clients	No	No	No