



# Geoffrey Cliff & Associates

Public Accountants and Registered Tax Agent

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## What does a higher FBT mean for your business?

Small business owners should write in their diaries that from April 1, 2015, the rate of fringe benefits tax (FBT) will increase from 47% to 49%. It is planned to return to its present rate two years later.

The rise is mostly due to the 2% Temporary Budget Repair Levy, and is designed to prevent individuals who earn more than \$180,000 from salary sacrificing into fringe benefits in order to bring their income under the levy's threshold, and so avoid the extra tax. The FBT rate will return to its current level on March 31, 2017 to align with the end of the levy and the end of that FBT year.

Fringe benefits can be a central option for employers seeking to make salary packages more attractive. There are many different possibilities and options to offer as salary sacrifices, including the use of a car, school fees, entertainment, healthcare and many other benefits. Competitive salary packages are often essential tools for securing the best staff for a business, as the right remuneration structures can let employers attract the right talent, minimise staff turnover and hopefully increase productivity.

When the FBT rate increases next April, many small businesses are likely to be affected. Employers may want to reconsider their current fringe benefit arrangements with affected employees in light of the increase.

For employees on packages of less than \$180,000 a year, it may end up that it will be more beneficial to

provide remuneration via salary and allowances rather than fringe benefits after next April 1. For example, where employers provide benefits such as paying for an employee's private health insurance, it may be a better option to provide additional salary, which would be taxed at a substantially lower rate than 49%.

The increase in FBT means that employers should reconsider all current fringe benefits arrangements with their staff to limit the impact of possible additional costs and ensure that any arrangement is still as beneficial as possible, for both the employee and the employer.

For certain entities there is a cap imposed on the concessions available with regard to fringe benefits provided to employees. Therefore, after April 1, 2015, public benevolent institutions, public hospitals and certain other tax-exempt entities will have their fringe benefit caps increased to align with the new FBT rate. This is to ensure that employees are protected from having their incumbent packages eroded by reason of the increased FBT rate. For "rebutable employers" (certain non-profit bodies, registered charities, public educational institutions), the rebate available will also be re-aligned to match the new rate. ■

### About this newsletter

Welcome to Geoffrey Cliff & Associates' client information newsletter, your monthly tax and super update keeping you on top of the issues, news and changes you need to know. Should you require further information on any of the topics covered, please contact us via the details below.

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# Your holiday house and family arrangements



The Tax Office has formed views about disclosing income and claiming deductions where non-economic rental arrangements — that is, “mates rates” — occur involving the use of holiday homes. A similar approach is adopted for arrangements you may make with family members involving residential property. The following is a summary of the Tax Office’s view for these types of arrangements.

## Letting of property to relatives

Where the property is let to relatives on a commercial basis (that is, consistent with normal commercial practice) the owner of the property would return assessable income and be entitled to claim deductions no different to if it were an arms’ length situation.

If the property is let at less than commercial rent, the Tax Office’s general rule is that income tax deductions for losses and outgoings incurred in connection with the rented property may be allowed up to the amount of rent received.

Claims beyond that limit would depend upon individual circumstances and would need to be assessed on an individual basis. In some instances, costs can be apportioned based on the amount of floor space used in deriving the rental income.

## Board and lodging

Adult children living at home and making token payments to their parents would typically constitute board and lodging.

Arrangements of this nature are considered by the Tax Office to be of a domestic nature and there should be no income tax consequences. The income received is not assessable and the owner is not entitled to claim any deductions.

## Occupancy on basis of sharing household costs

As a general rule, such arrangements (where the owner is one of the “sharers”) are not considered to be a benefit to the owner and there should be no

income tax consequences. The income received is not assessable and the owner is not entitled to claim any deductions.

## Holiday home let for part year

The rent received from letting the property, at a commercial rental, is assessable income. Where friends or relatives of an owner occupy a property for holidays at zero or minimal cost, or the property is either occupied by the owner for short periods or remains unoccupied, then the token amounts received in these cases would not be considered assessable income.

Deductions in respect of the property are only available for those periods where the property is available for letting (that is, where active and bona fide efforts to let the property at a commercial rental have been made).

In one court case, the owners of a property for an income year had let the property for 16 days, occupied it for 107 days, and kept the property vacant for the balance of the year. The Taxation Board of Review apportioned the losses and outgoings attributable to the property on a time basis, and allowed a deduction for the proportion of the year that the property was let (in this case, 4.4%).

Travelling expenses incurred by the owner of a property in inspecting and maintaining the property are typically allowable deductions. The cost of travel undertaken to prepare the property for incoming tenants, or to inspect the property at the conclusion of the tenancy, should also be deductible. Again, apportionment may be necessary to the extent that the property is not fully available for rent for the entire year.

## Purchase of a residence by a family trust

Where a family’s residence is owned by their family trust, and rent is paid for the right to occupy the property, it often follows that the trust will incur a net loss from the arrangement.

Taxpayers should be careful when implementing such arrangements. The Tax Office may deny the losses incurred by the trust on the basis that the arrangement is a private or domestic arrangement.

Alternatively, the Tax Office may also deny any losses on the basis that the arrangement had been entered for the dominant purpose of obtaining a tax benefit (that is, to generate losses) unless there is a compelling alternative reason. The need to protect assets from creditors, amongst others, may be one such reason.

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## Short-term accommodation and small business CGT concessions

In certain circumstances, the disposal of a holiday apartment may be eligible for the small business concessions if it has been used in the course of carrying on a business. There are a number of conditions that must be met in order to access the concessions, and among these is that the asset being disposed must satisfy the definition of an “active asset” under tax law.

The active asset test specifically excludes a property deriving passive income (that is, rent) from being eligible for the CGT concessions. One exception however is that the main use for deriving rent was only temporary.

Whether a rental arrangement exists, or alternatively the activities give rise to business income, will depend on the particular circumstances.

The issues that indicate whether a rental arrangement exists include:

- the tenant’s right to exclusive possession
- the degree of control retained by the owner, and
- the extent of the services provided by the owner.

In broad terms, “exclusive possession” is a contractual arrangement whereby the premises are leased to a tenant and the landlord is prohibited from entering the property unless permission has been sought. Short-term accommodation generally provides the guest with a

temporary licence to occupy the premises and do not necessarily provide the tenant with exclusive possession.

The following example from the Tax Office illustrates one such situation:

*Jenny owns a holiday apartment complex with 10 suites. The apartments are advertised collectively and are booked for periods ranging from one to two weeks. The majority of bookings are from one to seven nights. Jenny, as the owner-manager, is responsible for bookings, checking guests in and out and cleaning the apartments. She also provides clean linen and meal facilities to guests.*

*The arrangements indicate that the guests do not have exclusive possession but rather only the right to occupy the apartment. The guests stay for a relatively short-term and the services and facilities provided by Jenny are significant. These facts indicate that the income derived is not rent but rather business income, and therefore the property will be considered an active asset.*

Whether a property-owner is carrying on a business will depend on the particular activities involved. Factors such as size and scale provide a good indication. Activities such as financing the property, appointing a property agent, attending to body corporate matters, undertaking periodic repairs and maintenance, and maintenance of accounting and tax records have not been considered commercial activities by the Tax Office in the past, but rather no more than any real property investor would carry out in monitoring and maintaining an income producing investment. ■

## What is negative gearing? How it works, the pros & cons

Taking out a loan to raise money for an investment is a well-used tactic for many Australians. In fact, borrowing to buy big ticket items is part of financial reality – for example, how many of us could afford to buy a house out of our own pocket?

Borrowing funds will increase the amount you can have invested, and naturally amplifies potential gains because there is a larger capital base on which to earn returns. The caveat in all this, of course, is that it can also magnify losses.

If you’re using borrowed funds, and the investment makes a loss, you are still responsible for the interest on the loan as well as the principal of the loan itself.

A “geared” investment is just another way of saying that the amount invested has been ratcheted

up through getting a loan. The word gearing can be understood in a similar way to how gears work on a bicycle – a mechanism that turns a small effort on the pedal into a bigger physical force on the wheel.

One of the basic principles of tax in Australia is that costs necessarily incurred in earning income are generally tax deductible. Where a loan is needed to buy an income-producing asset, the interest on the loan is generally tax deductible. Being able to claim such costs is not peculiar to Australia, and operates in the tax regimes of many other countries.

The same principle operates in the finance and investments sphere — the tax law allows you to deduct certain costs from your income that are incurred when borrowing money for investment, provided the

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## What is negative gearing? How it works, the pros & cons (cont)

investment has been made to produce assessable income.

“Negative” gearing comes about when earnings from an investment do not cover the costs associated with that investment, such as interest on borrowed funds.

This is the concept of “negative gearing” in a nutshell – and is the reason why it can be so appealing for many investors, given that there are tax benefits for using someone else’s money.

### Investment property

Property is one investment area where negative gearing has been used to great effect.

For investment property, the ideal situation would be to make enough returns to cover loan repayments, plus interest, over the life of the loan. But what are some of the risks of having a negatively geared property? Examples include interest rates increases, or tenants moving out and leaving you with no rent coming in. A longer-term concern would be the property losing value over the time you own it.

Should the costs in relation to a rental property – such as rates, repairs, depreciation – exceed its income, the net loss in most circumstances can be offset against a taxpayer’s other income. In other words, you can apply the loss against your assessable income to end up with a reduced taxable income. Ask this office for further costs that can be claimed for rental properties.

#### Basic example

*An investor has a net salary, after tax deductions, of \$50,000 and borrowed \$102,000 at 10% interest a year to buy a property. Net income from this investment property for the year comes in at \$6,240 (which is after deductible expenses other than interest).*

|                                         |                |
|-----------------------------------------|----------------|
| Taxable salary                          | \$50,000       |
| plus net rental receipts                | \$6,240        |
| Total assessable income                 | \$56,240       |
| less interest deduction                 | -\$10,200      |
| Taxable income                          | \$46,040       |
| <b>Tax payable (excluding Medicare)</b> | <b>\$7,362</b> |

*The tax payable (excluding Medicare) on the \$50,000 net salary without the negatively geared rental property would otherwise be \$8,850, so the investor has paid \$1,488 less tax.*

But the ability to negatively gear needs to be kept in perspective as an aid to investment – a means to an end, not a goal in itself. The strategy is sound as long

as the investment is also sound, and will over the long term give you a positive return. A good investment must eventually show a profit, and its merit should never hang only on its ability to garner a tax benefit.

Another thing to keep in mind is that for negative gearing to work, you must have other income from which to claim the tax benefit. This may seem obvious, but it’s worth stating – if all the income you have coming in centres on your geared investment, and you make a loss on it, there’s no way to turn that “negative” into a positive.

Ideally, you should have confidence that the investment property will be worth much more in overall capital terms once you come to sell, and that it will be worthwhile to carry the losses in the meantime – with a little help from the tax benefits that negative gearing can give you.

One extra to keep in mind is that an asset held for at least 12 months should also get a 50% discount on capital gains tax (but check with this office to make sure).

As with any investment, do your homework first:

- choose your investment property carefully, with good capital appreciation potential
- make sure that you have sufficient financial reserves to cover any possible periods of having no rental income, and it may be wise to consider landlord insurance
- you will also need to be able to cover occasional repairs or maintenance
- see your tax practitioner or accountant before making an investment decision to see if the negative gearing strategy will work for you.

### Negative gearing for shares: Beware

The concept of negative gearing works with other types of investments, although property may have more deductions available for your tax return.

With sharemarket investment, as the security over the loan can fluctuate in value (that is, the shares you buy can vary in value much more than a house, for example), the lender will generally limit the amount you are able to borrow to a certain percentage of the value of the share investment (expressed as a “loan-to-value ratio” or LVR).

The added danger of gearing for the sharemarket, as demonstrated during the global financial crisis of recent times, is when the value of stocks falls below this LVR, resulting in dreaded “margin calls”. Investors are well advised to do some careful homework before committing too much to this sharemarket strategy. ■



# Age Pension: Do you fit the bill?

Australians have a long history when it comes to age pension schemes. The first national pension scheme in Australia was formed in 1909 and provided the grand sum of £1 per fortnight for men over the age of 65. As life expectancy for males at the time was around 55 years, most men did not reach the qualifying age and so the pension at the time was very affordable, which is just as well as its funding came out of general revenue.



Of course over the intervening years a lot has changed, including making the Age Pension available for women (although initially it was only provided to widows), introducing means testing, and tying the pension payment rates to inflation.

But given that a lot of recent budgetary changes have been focused on the welfare sector, and may or may not have been put in place, retirees and pre-retirees can be excused for feeling some confusion over just what exactly is the make up of the Age Pension in 2014, what are the conditions to receive it, and the eligibility factors involved.

The main features of the Age Pension as it now stands are:

- a basic maximum rate of \$776.70 a fortnight for singles and \$1,171.00 a fortnight for couples (from September 20, 2014)
- eligibility age of 65 years
- the application of an income test and an assets test, which can reduce the payment rate for those that exceed certain thresholds for each.

To qualify for the Age Pension, you must first have been an Australian resident for at least 10 years, but you must also satisfy the age, income and assets tests. The Q&A list that follows will hopefully spell out the current status quo, whether you're eligible, the hurdles to get there, and what benefits you receive.

## **Q1: What age do I have to be to qualify for Age Pension, and will this change?**

**A:** The current qualifying age for all people, whether male or female, is 65. From July 1, 2017, the qualifying age will increase by six months, and will rise in six-month increments every two years to reach age 67 by July 1, 2023. The Federal Government has said that it plans to further increase the eligibility age to 70 by 2035, but this is yet to be legislated.

## **Q2: What are the means tests to determine how much Age Pension I get paid?**

**A:** The Age Pension payment amounts can be restricted because of income and assets tests. Generally whichever test results in a lower payment is the one that applies to you. If the level of assets or income exceeds the relevant threshold for full benefits, the benefit entitlement is "clawed back", resulting in a partial pension payment. Of course going over the upper thresholds results in ineligibility for any pension amount.

As a reminder about the difference between assets and income, remember that:

- money in the bank is an asset, but the interest it earns is income
- a holiday house is an asset, while the rent it generates is income
- a business or equipment is an asset, while the net profit these make is income.

## **Asset test**

An asset is defined to be "any property or possession you own either partly or wholly". It includes assets held outside Australia and debts owing to you. Once a person reaches Age Pension age, their superannuation is counted as an asset under the assets test.

Assessable assets typically include:

- amounts in superannuation for persons who have reached Age Pension age
- reportable superannuation contributions (typically salary sacrifice)

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## Age Pension: Do you fit the bill? (cont)

- cash and the market value of financial assets held (including interest bearing deposits, fixed deposits, bonds, debentures, shares, property trust units, friendly society bonds and managed investments)
- real estate (including a holiday home) other than the principal home
- total net losses from rental property
- value of businesses or farms including goodwill (where goodwill is shown on the balance sheet), and
- surrender value of life insurance policies etc.

Other assessable assets are more obvious, and include items such as boats, caravans, motor vehicles and other household contents and personal effects.

The asset test limits are also determined by a person's home ownership status. For home owning singles, the value of all eligible assets must be less than \$202,000 for a full pension, or \$771,750 for a part pension. For non-home owning singles, the value limits are \$348,500 full pension and \$918,250 part pension.

For couples, the full pension asset value limit is \$286,500 for home owners (\$1,145,500 part pension) and \$433,000 for non-home owning couples (\$1,292,000 part pension).

There are however some excluded assets, which include but are not limited to:

- the applicant's principal home, or proceeds from the sale of it if it is intended to buy another within 12 months
- assets used to support some income streams, depending on date of purchase
- accommodation bonds paid for residential aged care
- life interest (not created by the pensioner, beneficiary or their partner), and
- granny flat interest.

There are other excluded assets, which Centrelink will be able to determine depending on personal circumstances.

### Income test

The income test allows for full benefits to be paid where a recipient's income does not exceed a certain threshold. For singles (from September 20, 2014) this is up to \$160 a fortnight, and for couples \$284 (for the combined couple). For income above these thresholds,

the benefit reduces by 50 cents for each additional dollar of income. Payments reduce to zero at or above the maximum income threshold, which is presently \$1,868.60 a fortnight for singles and \$2,860.00 for couples.

### ***Q3: I know that to receive Age Pension, I have to be an Australian resident. What exactly constitutes being an Australian resident?***

**A:** To lodge an Age Pension claim, you must be an Australian resident and in Australia on the day that you lodge your claim. To qualify as an Australian resident that can receive Age Pension, you must be living here as:

- an Australian citizen, or
- the holder of a permanent resident visa, or
- a New Zealand citizen who was in Australia on February 26, 2011 or for 12 months in the two years immediately before that date, or was assessed as "protected" before February 26, 2004.

To meet the Age Pension requirements, you also need to fulfil the 10-year qualifying Australian residence requirements, except in special circumstances. This means you have been an Australian resident for a continuous period for at least 10 years, or for a number of periods which total more than 10 years, with one of the periods being at least five years.

### ***Q4: Once I've found out that I fulfil all criteria, how do I apply for my Age Pension payment?***

You should submit your claim to the Department of Human Services (Centrelink) as soon as possible so that you can be paid from the earliest possible date. When lodging your claim you will need to provide details of your income and assets, your partner's income and assets as well as details of any overseas pension you receive.

You can either claim online by registering for Centrelink's online services or fill in an Age Pension claim form, which Centrelink can provide.

Once you submit your claim, you will need to provide proof of identity, usually in the form of an Australian birth certificate or authorised extract, a current Australian passport, a citizenship certificate, an Australian visa, a document of identity, a certificate of evidence of resident status or a certificate of identity. Centrelink will also tell you if there are other verification documents and forms that you need to provide.

Centrelink will then send you a letter advising if your claim has been successful or not, which will also outline when your payment will start and how much you will get.

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**Q5: What are the payment rates?**

The rates, from September 20, 2014, are as below:

| Status | Pension rate per fortnight                            |
|--------|-------------------------------------------------------|
| Single | \$776.70 (plus clean energy supplement, \$14.10)      |
| Couple | \$585.50 each (plus clean energy supplement, \$10.60) |

The next rate adjustment is due in March 2015.

There are additional amounts that may be added to the above, depending on personal circumstances, such as a pension supplement if you are also receiving other support such as a carer payment, bereavement allowance or Austudy. Centrelink can provide more guidance on this, as it will depend on your circumstances.

**Q6: Will my payment be adjusted or reviewed?**

From time to time, your Age Pension payment amount will be reviewed. The amount you receive may be adjusted because your or your partner's circumstances change. This includes a change in income, accommodation or separation from your partner due to illness.

The Age Pension rate is also adjusted twice a year in line with inflation, usually in March and September.

This includes adjustments in line with the Consumer Price Index (CPI), Male Average Weekly Total Earnings, and the Pensioner and Beneficiary Living Cost Index increases. The last is designed to index base pension rates when the cost of living index is higher than the CPI.

**Q7: If I am eligible for the Age Pension ...**

You will be paid every fortnight. The Age Pension can include pension supplements to assist with the costs of regular bills such as energy and rates. You will also receive a Pensioner Concession Card to help reduce the costs for medicines under the Pharmaceutical Benefits Scheme. It may also make you eligible for a range of additional concessions. If you are privately renting your accommodation, you may also receive some rent assistance for this cost.

**Q8: If I am not eligible for the Age Pension ...**

If you are deemed ineligible, you always have the right to appeal any decision made by Centrelink. You may still qualify for a Commonwealth Seniors Health Card and this will assist you with the costs of prescription medicines and other health care services. It is not assets tested but an income test applies, which is to be expanded from January 1, 2015, to include superannuation benefits. ■

***Did you know... Some of the strangest taxes on record***

Throughout history tax has been used to raise revenue, bring about social change, and strengthen governments. It has also made entire societies live quirky lifestyles in order to pay as little as possible.

As long as tax has existed, citizens of the world have paid a host of weird and wonderful dues. Here are some of the more unusual taxes ever introduced.

- During the Middle Ages, soap was taxed in some European nations. The tax stayed in effect for about a hundred years. Great Britain repealed its soap tax in 1835.
- In 1660, England put a tax on fireplaces. Citizens began to cover their fireplaces with bricks to hide them and avoid the tax. It was repealed in 1689.
- Later that century, in 1696, England began to tax houses on the amount of windows they had. This led builders to build houses with fewer windows, which in turn caused widespread health problems. England repealed the tax in 1851.
- In Russia 1705, Emperor Peter the Great implemented a beard tax, in hopes it would force men to adopt the clean-shaven look popular in Western Europe.
- New York City has a sliced bagel tax. The city taxes prepared food as well as general food, which means sliced bagels are taxed once as a food item and again as a prepared food item.
- In California, fresh fruit bought from a vending machine is taxed at 33%. ■

# Christmas year-end tax checklist for business

| 1 Cash bonuses                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                         | Please circle                                                                                                                                                                                                                                                                                                                                         |                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| <b>Has the business paid employees with cash bonuses as a year-end reward?</b>                                                                                          |                                                                                                                                                                                                                                                                                                                                                         | Yes                                                                                                                                                                                                                                                                                                                                                   | No                    |
| If yes, has the employer considered the following:                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                       |                       |
| • <b>Timing:</b> Whether the amount would be paid in December or in the new year? Should it be provided for in the accounts at month-end?                               | Yes                                                                                                                                                                                                                                                                                                                                                     | No                                                                                                                                                                                                                                                                                                                                                    |                       |
| • <b>PAYG withholding:</b> Has the appropriate amount of PAYG withholding for lump sum payments been calculated and provided for?                                       | Yes                                                                                                                                                                                                                                                                                                                                                     | No                                                                                                                                                                                                                                                                                                                                                    |                       |
| • <b>Superannuation Guarantee:</b> Has superannuation guarantee of 9.5% (for 2014-15) been provided for with respect to the relevant bonus paid?                        | Yes                                                                                                                                                                                                                                                                                                                                                     | No                                                                                                                                                                                                                                                                                                                                                    |                       |
| • <b>Payroll tax:</b> Have state-based payroll taxes been considered with respect to bonus?                                                                             | Yes                                                                                                                                                                                                                                                                                                                                                     | No                                                                                                                                                                                                                                                                                                                                                    |                       |
| Note that a deduction should be available for bonuses paid under the general deduction provision as a business cost.                                                    |                                                                                                                                                                                                                                                                                                                                                         | Yes                                                                                                                                                                                                                                                                                                                                                   | No                    |
| 2 Christmas parties and related entertainment and transport (employees and associates)                                                                                  |                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                       |                       |
| <b>Has the business provided food, drink, entertainment and associated travel (ie. 'meal entertainment' benefits) during the period to employees and or associates?</b> |                                                                                                                                                                                                                                                                                                                                                         | Yes                                                                                                                                                                                                                                                                                                                                                   | No                    |
| If yes, have the following been considered?                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                       |                       |
| Basis for valuing 'meal entertainment'                                                                                                                                  | Please circle method chosen                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                       |                       |
| <b>What basis has the business adopted (or intends to adopt) in valuing 'meal entertainment' fringe benefits for the FBT year?</b>                                      | <b>Actual basis (ie. property, expense payment or residual)</b><br>The business must value each 'meal entertainment' based on the fringe benefit type (eg. property, expense payment or residual).<br>Exemptions such as minor benefits exemption, taxi travel exemption and on-site consumption may be applied.<br><b>Continue below for outcomes.</b> | <b>50/50 split or 12 week register</b><br>The business must value all 'meal entertainment' provided during the FBT year using one of these methods.<br>No scope available for applying FBT exemptions to such benefits (eg. minor benefits exemption). That is, individual benefits cannot be selected for exemption.<br><b>Skip to item 3 below.</b> |                       |
| Tax implications of 'meal entertainment benefits'                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                       |                       |
| If an <b>actual basis</b> of valuing 'meal entertainment' is chosen, the following tax implications should be considered:                                               |                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                       |                       |
| Scenario                                                                                                                                                                | FBT/payroll tax liability?                                                                                                                                                                                                                                                                                                                              | Income tax deduction?                                                                                                                                                                                                                                                                                                                                 | GST credit available? |
| <b>Food and drink provided on business premises</b>                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                       |                       |
| Has the employer provided 'meal entertainment' to employees (and/or associates):                                                                                        |                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                       |                       |
| • on a working day on business premises, and                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                       |                       |
| • consumed by current employees?                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                       |                       |
| <i>If yes:</i>                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                       |                       |
| • Employee:                                                                                                                                                             | No (1)                                                                                                                                                                                                                                                                                                                                                  | No                                                                                                                                                                                                                                                                                                                                                    | No                    |
| • Associate:                                                                                                                                                            | Yes                                                                                                                                                                                                                                                                                                                                                     | Yes                                                                                                                                                                                                                                                                                                                                                   | Yes                   |
| • Associate (minor benefit):                                                                                                                                            | No (2)                                                                                                                                                                                                                                                                                                                                                  | No                                                                                                                                                                                                                                                                                                                                                    | No                    |

Continued →

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|                                                                                                                               |                                   |                              |                              |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------------|------------------------------|
| <b>Food and drink provided offsite</b>                                                                                        |                                   |                              |                              |
| Has the employer provided 'meal entertainment' to employees (and/or associates) offsite (eg. at a restaurant)? <i>If yes:</i> |                                   |                              |                              |
| • If property, expenses payment or residual fringe benefit provided:                                                          | Yes                               | Yes                          | Yes                          |
| • If minor benefit provided:                                                                                                  | No (2)                            | No                           | No                           |
| <b>Transport to and from function</b>                                                                                         |                                   |                              |                              |
| Has the employer provided transport to or from the function to employees (and/or their associates)?                           |                                   |                              |                              |
| If yes, have the following been considered?                                                                                   |                                   |                              |                              |
| • <b>If taxi travel:</b>                                                                                                      |                                   |                              |                              |
| <i>Employee:</i>                                                                                                              |                                   |                              |                              |
| • From work premises to function (vice versa)                                                                                 | No (3)                            | No                           | No                           |
| • From function to non-work location (vice versa)                                                                             | Yes                               | Yes                          | Yes                          |
| • Minor benefit (if no exempt taxi travel)                                                                                    | No (2)                            | No                           | No                           |
| <i>Associate:</i>                                                                                                             |                                   |                              |                              |
| • Any taxi travel (irrespective of origin or destination)                                                                     | Yes                               | Yes                          | Yes                          |
| • Minor benefit                                                                                                               | No (2)                            | No                           | No                           |
| • <b>If transport other than taxi (eg. hired bus)</b>                                                                         |                                   |                              |                              |
| <i>Employee:</i>                                                                                                              |                                   |                              |                              |
| • Any travel (irrespective of origin or destination)                                                                          | Yes                               | Yes                          | Yes                          |
| • Minor benefit                                                                                                               | No (2)                            | No                           | No                           |
| <i>Associate:</i>                                                                                                             |                                   |                              |                              |
| • Any travel (irrespective of origin or destination)                                                                          | Yes                               | Yes                          | Yes                          |
| • Minor benefit                                                                                                               | No (2)                            | No                           | No                           |
| <b>3 Christmas gifts</b>                                                                                                      |                                   |                              | <b>Please circle</b>         |
| <b>Has the employer provided gifts to employees or associates?</b>                                                            |                                   |                              | Yes No                       |
| If yes, the tax implications for certain gifts are as follows:                                                                |                                   |                              |                              |
|                                                                                                                               | <b>FBT/payroll tax liability?</b> | <b>Income tax deduction?</b> | <b>GST credit available?</b> |
| <b>Non-entertainment examples</b>                                                                                             |                                   |                              |                              |
| • Gift vouchers – department store (eg. Myer/Target)                                                                          | Yes (4)                           | Yes                          | Yes                          |
| • Hampers (containing consumables)                                                                                            | Yes (4)                           | Yes                          | Yes                          |
| • Consumables – such as chocolates                                                                                            | Yes (4)                           | Yes                          | Yes                          |
| • Electronic equipment (eg. iPod)                                                                                             | Yes (4)                           | Yes                          | Yes                          |
| • Toys and kids' gifts                                                                                                        | Yes (4)                           | Yes                          | Yes                          |
| If above gifts, or similar, a minor benefit                                                                                   | No (2)                            | Yes                          | Yes                          |
| <b>Entertainment examples</b>                                                                                                 |                                   |                              |                              |
| • Champagne                                                                                                                   | Yes (4)                           | Yes (6)                      | Yes                          |
| • Dinner voucher                                                                                                              | Yes (5)                           | Yes (6)                      | Yes                          |
| • Theatre tickets or similar                                                                                                  | Yes (4)                           | Yes (6)                      | Yes                          |
| • If above gifts, or similar, a minor benefit                                                                                 | No (2)                            | No                           | No                           |

- (1) An exemption for food and drink provided to employees (not associates) on a working day (only if actual basis is used).
- (2) Must be less than \$300 (also only if actual basis for valuing benefit used).
- (3) Exemption for employee (not associate) if travel is single trip from or to workplace.
- (4) Are property fringe benefits, and must value using actual basis.
- (5) A meal entertainment benefit. Businesses may elect to apply 50/50 split or 12 week register to value.
- (6) Some "entertainment" can be covered under income tax provisions, however deduction can be denied unless provided as fringe benefit. ■