

Staff Christmas Parties and Gifts

Income Tax, Fringe Benefits Tax (FBT) and GST all come into play when we consider the implications of business parties and gifts. We need to consider who is the recipient and also where is any party is held.

The table below is a handy summary of the different scenarios.

	Employee	Family of Employee	Customer	Supplier
Christmas Party held on business premises				
- Cost per attendee less than \$300	No FBT but no tax deduction	No FBT but no tax deduction	No FBT but no tax deduction	No FBT but no tax deduction
- Cost per attendee more than \$300	No FBT but no tax deduction	FBT applies and tax deductible	No FBT but no tax deduction	No FBT but no tax deduction
Christmas Party held off business premises				
- Cost per attendee less than \$300	No FBT but no tax deduction	No FBT but no tax deduction	No FBT but no tax deduction	No FBT but no tax deduction
- Cost per attendee more than \$300	FBT applies and tax deductible	FBT applies and tax deductible	No FBT but no tax deduction	No FBT but no tax deduction
Gifts that include entertainment				
- Cost less than \$300	No FBT but no tax deduction	No FBT but no tax deduction	No FBT but no tax deduction	No FBT but no tax deduction
- Cost more than \$300	FBT applies and tax deductible	FBT applies and tax deductible	No FBT but no tax deduction	No FBT but no tax deduction
Gifts that do not include entertainment				
- Cost less than \$300	No FBT but can claim tax deduction	No FBT but no tax deduction	No FBT but can claim tax deduction	No FBT but can claim tax deduction
- Cost more than \$300	FBT applies and tax deductible	FBT applies and tax deductible	No FBT but can claim tax deduction	No FBT but can claim tax deduction

Family of an employee includes their spouse/partner/boyfriend/girlfriend etc.

Gifts that include entertainment would be things like

- tickets to sporting events, a movie, the theatre, a theme park or the like; or
- holiday accommodation or airline tickets

It does NOT include things like gift hampers, flowers, wine, perfumes or gift vouchers.

As you can see, the magic number is \$300, as under this the FBT minor benefits exemption can apply.

A minor benefit is one that:

- is provided to staff or their family;
- is provided on an “infrequent” or “irregular” basis;
- is not considered a reward for services. (i.e. it does not replace normal wages); and
- costs less than \$300 “per benefit” inclusive of GST.

It’s also important to note that the business cannot claim a GST credit on expenditure which is not tax deductible. So anywhere in the table above where you see that something is not tax deductible, that also means that you cannot claim the attached GST.