



Christmas Parties and Fringe Benefit Tax How should you Treat these Expenses?

Christmas Parties

The boss decides to throw a Christmas party for the staff. Can you claim this as a business expense? Does Fringe Benefits Tax apply? This depends on who attends and where the party is being held. The provision of a Christmas party for an employee may be a minor benefit and exempt from FBT if the cost of the party is less than \$300 per employee and certain conditions are met. This provision also applies to the employee's associate (family member) or spouse.

The cost of providing a Christmas party is income tax deductible to the extent that it is subject to FBT. Therefore, any costs that are exempt from FBT cannot be claimed as an income tax deduction. GST credits can only be claimed to the extent that a cost is tax deductible. Therefore, if you cannot claim it as a deduction, you cannot claim the GST credits either. The ATO have guidelines in regards to FBT as it relates to different business structures. See the links below for more detail.

What can you Claim

Christmas party held at your premises on a work day	
If only employees attend	No FBT, not tax deductible
Current employees and spouses @ \$180pp	No FBT (minor exemption applies for spouse)
Employees and clients @ \$365pp	Employees - No FBT and not tax deductible
	Clients - No FBT and not tax deductible
Employee associate @ \$365pp (family members)	FBT applies as value more than \$300pp

Christmas party held at other premises	
Only employees attend @ \$195pp	No FBT (minor exemption applies), not tax deductible
Employees and associates @ \$195pp	No FBT (minor exemption applies for both), not tax deductible
Employees, associates and clients @ \$365pp	Employees and associates - FBT applies as value more than \$300pp
	Clients - No FBT and NOT tax deductible

Minor Benefits Exemption

The \$300 threshold is applied separately to each benefit, gift or party. So for example, an employee could attend the workplace party at a cost to the employer of \$280 and receive a gift worth \$250, but because these amounts are treated separately there are no FBT implications.

Christmas Gifts

The provision of a gift to an employee at Christmas time, such as a hamper, may be a minor benefit that is an exempt benefit where the value is less than \$300. Where the gift is given at the Christmas party, each benefit can be considered separately.

Christmas Gifts for your Clients & Employees

Are gifts to your employee, clients and suppliers claimable? Gifts may be classified as “entertainment”.

1. For gifts such as wine, food, hampers, vouchers, etc., these are not considered to be entertainment.

- If the gift is a minor benefit (i.e., less than \$300 value), then the gift is not tax deductible, and therefore GST is not claimable for gifts to employees and their family members, clients and suppliers. No FBT applies to gifts of less than \$300.
- For gifts over \$300, FBT may apply for employees and their family members, but FBT does not apply to clients or suppliers.

2. Gifts such as a holiday, membership to a club, or tickets to a theatre, sporting or musical event are considered to be entertainment.

- For minor benefits, as above, the gift is not tax deductible and no FBT applies.
- Also for clients and suppliers, the entertainment gift is not tax deductible, and no FBT applies.
- For Employees that is not a Minor Benefit, the gift is tax deductible but it is also subject to FBT.

Giving your clients a gift at Christmas is a personal choice that you as the business owner can make. Be aware that some clients may not be allowed to accept gifts due to their business’s Code of Conduct (e.g., government workers). We remind you that the topic of entertainment, tax deductibility and fringe benefits tax is complex and not always straightforward. Check with your Tax Agent if in doubt and refer to the ATO website for detailed guidance.

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