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## FRINGE BENEFITS & CHRISTMAS TIME

We are pleased to advise that effective 1 April 2007, the Fringe Benefits Tax (FBT) exemption for minor benefits provided on an irregular basis will be lifted from \$100 (special \$125 concession for Christmas or end of year parties) to \$300 per employee.

This is the last year businesses will be held to the current \$125 limit for food, drinks, entertainment and related expenses per employee for the office Christmas party without incurring FBT. We believe that the new rules may be a benefit for the hospitality industry in 2007 as businesses might hold a bigger bash next year.

### Tips for keeping more in your businesses stocking this Christmas

1. Keep the value of your party below \$125 per employee and, as long as you don't provide similar functions to your employees on a frequent and regular basis, it will be considered minor, infrequent and irregular, therefore not subject to FBT.
2. Be aware that there are certain conditions on how the cost must be broken up. Food and drink must be less than \$100 per employee. Entertainment such as a DJ or band should not be more than \$25 per employee and separately invoiced.
3. If you are providing transport to venues or home, these costs must also be factored into the \$125.
4. If you give your employees a gift at the office Christmas party, then it must be included in the \$125. However, if you give out presents on another day, they will not be included in the \$125 and are not likely to attract FBT if their value is below the \$100 limit.
5. If you are considering a lavish Christmas party for your employees and/or top clients, then you may be better off hosting the party on your business premises on a working day, rather than at a restaurant or reception centre, as the costs as they relate to current employees (and clients) won't attract FBT.
6. If you give an employee a gift, such as a hamper or a bottle of wine to take home, then these can be a means to entertainment, not entertainment in itself, and may be exempt from FBT if they cost less than \$100 and similar gifts have not been provided to the employee on a regular or frequent basis in the past. But if the employee opens the hamper or bottle and consumes the contents while still in the office, then you won't receive an income tax deduction.

*If you would like more information about Fringe Benefits Tax, please contact your local Forsyths office.*

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