

FBT and Meal Entertainment

This bulletin is to help you understand how FBT and entertainment works and to decide whether or not a particular transaction attracts FBT.

The University is wholly exempt from income tax and entertainment provided by the University to its employees and/or associates is referred to as a 'tax-exempt body entertainment fringe benefit'.

Entertainment provided to employees and/or associates of employees by the University is generally subject to FBT. It is therefore important to recognise *what is* and *what is not* regarded as entertainment for the purposes of FBT.

Entertainment is generally defined as entertainment by way of food, drink or recreation and includes accommodation or travel costs to facilitate such entertainment.

The University has adopted the actual method from 1 April 2016 in calculating meal entertainment benefits. Under this method, only meal entertainment expenses relating to employees (and/or associates) are subject to FBT. Meal entertainment expenses relating to non-employees and certain meal entertainment provided to travelling employees are not subject to FBT.

Meal Entertainment

To determine whether food or drink provided constitutes meal entertainment, you will need to consider the following factors. None of the factors on their own will determine if the food and drink provided is entertainment, but (a) and (b) are considered the more important factors.

Factors to consider		Explanation
a)	Why is the food and drink being provided?	<p>Are you providing the food or drink for employees:</p> <ul style="list-style-type: none"> • To complete the working day in comfort or • To enjoy themselves? <p>Providing refreshments to enable the employee to complete the working day in comfort is not generally entertainment.</p> <p>Providing food or drink in a social function where the purpose of the function is for employees to enjoy themselves is likely to be entertainment.</p>
b)	What type of food or drink is being provided?	The more elaborate a meal, the more likely it becomes that entertainment arises from eating the meal.
c)	When is the food or drink being provided?	Food or drink provided during work time, during overtime or while an employee is travelling for work is less likely to be entertainment. This is because in the majority of these cases, the food or drink is provided for work-related purposes rather than for an entertainment purpose.

d)	Where is the food or drink being provided?	<p>Food or drink provided on the University business premises is less likely to be entertainment.</p> <p>Food or drink provided off University's business premises, such as at a function room, hotel, restaurant or consumed with other forms of entertainment, is more likely to be entertainment</p>
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Example: Determining whether food or drink is entertainment?

John Smith is currently employed by the University and will soon be leaving the University to take up a new position in South Australia. In recognition of John's loyalty and dedication, the department would like to host a late afternoon farewell function in a private function room at a local hotel. Drinks including alcohol and light refreshments such as finger foods will be provided to invited 10 staff and John's family members and 5 non-staff.

1. Why is the food or drink being provided?

The food and drink in this situation is being provided for a social function where the purpose of the function is for employees, associates and clients to enjoy themselves.

2. What food or drink is being provided?

Drinks including alcohol and light refreshments is considered to be entertainment as it is provided for employees and non-employees to enjoy themselves.

3. When is the food or drink being provided?

Food or drink provided during work time, during over time or while an employee is travelling, is less likely to have the character of entertainment. This is because food provided is for a work related purpose rather than an entertainment purpose.

4. Where is the food or drink being provided?

The food or drink is being provided in a private function room at a local hotel. Food or drink provided in a function room, hotel, restaurant or coffee shop is more likely to have the character of entertainment.

Is this activity entertainment?

Looking at the answers to the questions (why, what, when and where), providing the farewell function for John Smith as outlined above would be classified as entertainment.

Transaction processing

If \$2,200 including GST was spent providing food and drinks to 10 staff and 5 non staff at John's farewell function then the expenditure of \$2,200 should be coded as follows:-

Calculation:

Staff 10/15 x \$2,200 = \$1,466.67

Non staff 5/15 x \$2,200 = \$733.33

\$1,466.67 GST Code "C" and natural account code "3803"

\$733.33 GST Code "P" and natural account code "3804"

Checklist of examples of Meal Entertainment

The following table sets out the more common circumstances and can be used to identify **what is**, and **what is not**, entertainment under the actual method.

The common circumstances outlined in the table are as follows:

- Employee amenities provided on University business premises (e.g. tea and coffee facilities);
- Light refreshments provided in connection with business meetings, staff meetings, training sessions and overtime;
- Business lunches and dinners at a restaurant;
- Employers who are travelling overnight for work purposes;
- Employees attending seminars or overnight conferences and
- Social functions held on and off the University business premises;

Type of entertainment/non-entertainment	Meal Entertainment Staff Account code '3803'	Meal Entertainment Non-Staff Account code '3804'	Not meal entertainment Account code '3225'
1. Provided on University's business premises			
a) Employee amenities for current employees – Tea/coffee making facilities, water dispensers, food or drink vending machines	No	NA	Yes
b) Light refreshments ¹ – in connection with meeting, training sessions, overtime, working lunch, weekend work, etc. - Employees - Students, clients, suppliers, etc.	No NA	NA No	Yes Yes
c) Social function - Friday night drinks, Christmas party, farewell party	Yes	Yes	No
2. Business lunches and dinners – at a restaurant or similar venue			
More than \$25 per head incl. GST - Employees and associates - Clients, contractors, suppliers, etc.	Yes NA	NA Yes	No No
Less than \$25 per head incl. GST - Employees and associates - Clients, contractors, suppliers, etc.	No NA	NA No	Yes Yes

Type of entertainment/non-entertainment	Meal Entertainment Staff Account code '3803'	Meal Entertainment Non-Staff Account code '3804'	Not meal entertainment Account code '3225'
3. Food and drink consumed by employees travelling overnight on business			
a) Travelling employee dines alone or with other travelling employees	No	NA	Yes
b) Travelling employee dines with non-travelling employee - Travelling employee's meal - Non-travelling employee's meal	No Yes	NA NA	Yes No
c) Travelling employee dines with non-travelling client - Travelling employee's meal - Client's meal	No NA	NA Yes	Yes No
d) Travelling employee dines with spouse - Travelling employee's meal - Spouse's meal	No Yes	NA NA	Yes No
e) Travelling employee dines with travelling client - Travelling employee's meal - Travelling client's meal	No NA	NA No	Yes Yes
4. Food and drink consumed by employees at seminarsⁱⁱ			
- Light breakfast provided at CPD (morning) seminar	No	NA	Yes
- Light refreshments provided (which may include some alcohol) at CPD seminar	No	NA	Yes
5. Overnight conferences – employees only			
- Food and drink provided during conference	No	NA	Yes
- Food and drink consumed with Entertainment (e.g..dinner dance)	Yes	NA	No
- accommodation during	No	NA	Yes
- Travel to and from conference venue.	No	NA	Yes

Type of entertainment/non-entertainment	Meal Entertainment Staff Account code '3803'	Meal Entertainment Non-Staff Account code '3804'	Not meal entertainment Account code '3225'
6. Weekend planning retreat held by the University at a hotel complex with conference facilities			
- Sandwiches or finger food and soft drink or fruit juice provided during lunch	No	No	Yes
- Basic dinner held on hotel premises with no alcohol and no associated entertainment	No	No	Yes
- Basic dinner held on hotel premises with no alcohol, but with associated entertainment e.g. a live band or floor show	Yes	Yes	No
- Dinner held off hotel premises (e.g. at a local restaurant) where employees can choose anything from the menu (including lavish meals e.g. seafood) with alcohol being consumed	Yes	Yes	No
7. Social function – at a restaurant, function centre or similar venue (e.g. Christmas party, awards night, year-end party, etc)			
- Friday night drinks at the office (including the consumption of "nibbles" - i.e., chips, nuts, and other finger food)	Yes	Yes	No
- Food and drink consumed at a social function held on the business premises (e.g., a Christmas party, year-end party and cocktail party)	Yes	Yes	No
- Food and drink consumed at a social function held off the business premises (e.g., a Christmas party, year-end party and cocktail party)	Yes	Yes	No
- Food and drink consumed at an awards night or similar function (whether or not held on business premises)	Yes	Yes	No

Type of entertainment/non-entertainment	Meal Entertainment Staff Account code '3803'	Meal Entertainment Non-Staff Account code '3804'	Not meal entertainment Account code '3225'
- Food and drink consumed in a corporate box or marquee, as part of a sporting/similar event	Yes	Yes	No
- Food and drink consumed as part of a corporate sporting day	Yes	Yes	No

ⁱ **Light refreshments** basically comprise the following:-

- Morning and afternoon teas – which includes tea, coffee, fruit drinks, cakes, biscuits, etc.; and
- Light lunches/meals – which includes finger food (e.g. pizza), sandwiches, salads, fresh fruit, soft drink, orange juice, etc. but does not generally include alcohol

ⁱⁱ **Seminar** – to qualify as an eligible seminar, the seminar must:-

- be a conference, convention, lecture, training session or speech,
- have a duration of at least four hours excluding breaks
- Business discussions undertaken in the normal course of business are not eligible seminar, unless it is an **exempt training seminar** (see below for the definition of an exempt seminar)
- The sole or dominant purposes of the seminar must not be the promotion or advertising of the business; and
- The sole or dominant purpose must not be the provision of entertainment and
- Food and drink, which is merely incidental to a person's attendance at a seminar, is not subject to FBT.

ⁱⁱⁱ **Exempt training seminar** – is a seminar organised by, or on behalf of the University solely for either or both of the following purposes:-

- Training the employees in matters relevant to the University's business, and/or
- The discussion of general policy issues relevant to the internal management of the University's business by the employees of the University only and
- Must not be held on the University's premises. It must be held on premises of a person whose business includes the organisation of seminars or the provision of seminar facilities, e.g. conference facilities operated by a hotel.

Recreational Entertainment

Recreation entertainment includes amusement and sport or leisure time pursuits. Common examples of such recreation include:

- engaging an entertainer for a social function (e.g. musician)
- a game of golf or tennis
- tickets to a movie or to a theatre or sporting event
- sightseeing tours. This includes recreation provided to employees at an overnight conference e.g. sightseeing, golf etc.

The taxable value of non-meal entertainment fringe benefits is so much of the expenditure incurred by the employer in providing the entertainment to the employee (or associate). Fringe benefits tax may apply to these expenses even if they are included as part of a seminar or conference. The minor benefit rule cannot be applied to recreational entertainment under any circumstances.

Recreation expenditure (non-meal entertainment) that relates to employees or their associates should be charged to the natural account code 3806. The portion of recreation expenditure relating to non-staff (e.g. students) is not subject to FBT and should be charged to the natural account code 3565 and GST Code "P". For GST purposes, the input tax credit can only be claimed on recreation expenditure that relates to employees.