



Financial and Business Services Division

FBT Entertainment / Meal Benefits Guide

This guide is pursuant to the Fringe Benefits Tax operational policy and procedure.

GENERAL

- 1 General information on fringe benefits, how Fringe Benefits Tax (FBT) applies to the University and how it is processed is contained in the [Fringe Benefits Tax—General guide](#). The following guide must be used in conjunction with it.
- 2 Entertainment provided to an employee (or associate) by the University or a related party is subject to FBT.
- 3 When entertainment or meal expenses are being processed, the following steps must be taken:
 - 3.1 determine whether the expenditure may be classed as an entertainment or meal benefit for FBT purposes (see paragraphs 5–7 and 12)
 - 3.2 determine whether the expenditure falls into any of the exemption categories (see paragraphs 8–11)
 - 3.3 if a fringe benefit applies, calculate its taxable value (see paragraph 13)
 - 3.4 allocate the expense to the correct account codes (see paragraphs 14–17).
- 4 Entertainment expense reimbursements are to be claimed on a [Entertainment Expense Reimbursement Voucher](#). Claims of \$20 or less involving entertainment can be processed using a Petty Cash Voucher.

Defining 'Entertainment'

- 5 For the purposes of FBT, 'entertainment' expenditure is defined according to the *Income Tax Assessment Act 1936* (section 51AE(3)) as expenditure in respect of entertainment by way of food, drink or recreation. It includes accommodation or travel to facilitate such entertainment.
- 6 Examples include off-campus business lunches, cocktail parties, staff social functions and sporting or theatre tickets. Recreation includes amusement, sport and leisure-time pursuits including sightseeing, amusement in all types of vehicles, vessels and aircraft.
- 7 The following points may assist in determining what is entertainment and whether it is subject to FBT:
 - 7.1 Morning and afternoon teas and light meals (no alcohol) consumed on Deakin's premises (includes all on-campus restaurants/cafes) on a working day are **not** entertainment and therefore no FBT is payable; but if alcohol is provided, the **total** cost of the meal and alcohol is subject to FBT (Tax Ruling IT 2675).
 - 7.2 No FBT is payable on food and drink incidental to an 'eligible seminar' or an 'exempt training seminar' (see paragraphs 10 and 11).
 - 7.3 Only entertainment of Deakin employees (and associates, e.g. partner) is subject to FBT. Entertainment of an external client or others is not subject to FBT.
 - 7.4 It is generally irrelevant whether the entertainment is provided free, or whether it is a requirement of employment that a staff member attends the social function.

- 7.5 Where a staff member is undertaking business travel (i.e. overnight absence), and the University reimburses the meal cost (including alcohol), no part of the meal cost is subject to FBT. Where, however, the staff member on business travel also pays for an associate's meal, the Tax Office regards the associate's meal cost as being subject to FBT (i.e. entertainment).
- 7.6 If the staff member (whilst not travelling) takes an external client out, the employee's meal cost is subject to FBT (entertainment) and the client's meal cost is not.
- 7.7 Food and drink provided to a staff member at a social function on a working day on Deakin premises is subject to FBT.
- 7.8 Christmas parties and other entertainment provided to staff are subject to FBT. The cost of travel associated with any entertainment event eg. taxi or bus hire for a Christmas party or social function is subject to FBT and together with the function cost must be coded to account 6906.
- 7.9 Alcohol purchases for general consumption including those from Waurm Ponds Wine Estate are subject to FBT other than on campus promotional events which are open to the general public.
- 7.10 Light refreshments (including alcohol but not including a meal) provided on-campus for a non staff event eg. function for visiting academics and staff attend will not be subject to FBT when the benefit provided to staff is regarded as a minor benefit (see paragraph 13.4 of General Guide). The entertainment of the visitors is not subject to FBT (see paragraph 7.3 above). The total GST exclusive cost of the function (staff and visitors) is to be coded to account 6905.

Exemptions

- 8 **Food and drink provided in an in-house dining facility:** this exemption is not available to the University as all the restaurants and cafeterias are open to the public. However, an FBT exemption is available in certain circumstances for meals consumed on University premises (includes all on-campus restaurants/cafes) in relation to morning and afternoon teas and light lunches.
- 9 **In-house recreational facilities:** recreation facilities located on the University's premises when provided to employees are not subject to FBT. Examples include tennis courts, gymnasiums and games rooms.
- 10 **Food and drink incidental to attendance at an 'eligible seminar':**
- 10.1 To qualify as an eligible seminar the seminar must:
- be a conference, convention, lecture, training session, or speech
 - have a continuous duration of four hours (excluding breaks).
- 10.2 The following are not eligible seminars:
- business discussions in the normal course of business, unless it is an exempt training seminar
 - seminars with the sole or dominant purpose of the promotion or advertising of the business
 - seminars with the sole or dominant purpose of the provision of entertainment.
- 10.3 In practice, a seminar that includes the provision of entertainment by way of food or drink which is incidental to a person's attendance at a seminar is not subject to FBT. However, the cost of entertainment in the form of recreation (e.g. trip to a tourist attraction) may be subject to FBT, particularly if it is an optional and separate charge. Any component of an all-inclusive registration fee for an eligible seminar that is attributable to recreation may be subject to FBT on a proportional basis.
- 10.4 The following record keeping is needed to substantiate the eligible seminar exemption:
- the words 'eligible seminar' must be quoted when raising purchase requisitions or when completing necessary forms eg. Petty Cash

- supporting documentation (eg. an agenda) that meets the eligible seminar criteria (see paragraph 10.1) must be attached to the supplier invoice before being sent to Accounts Payable for payment. Staff must therefore ensure that supplier invoices are forwarded directly to them in the first instance.
- 11 **Exempt training seminars:** Finance will look closely at exempt training seminar claims to ensure the following criteria are met. Exempt training seminars qualify as eligible training seminars where:
- the seminar is organised to discuss general policy issues and/or to enable employees to discuss general policy issues relevant to the internal management of the University's business
 - the seminar is not held on premises of the University. It must be held on premises of a person whose business includes the organising of seminars or making premises available for those purposes.

Where the above conditions are satisfied, the seminar will be an eligible seminar, and food and drink incidental to attendance at the seminar is not subject to FBT.

Overnight Absence

- 12 Travel expenses (including meals) do not include expenses incurred during day trips as they are excluded from the definition of 'business travel expense' unless an overnight absence is involved. For the University, this would include employee work-related travel between campuses and to attend general business (i.e. visit to client) which does not involve an overnight stay. For FBT purposes, meal expenditure incurred where no overnight absence is involved would not qualify for the definition of travel and would therefore be subject to FBT if paid or reimbursed by the University.

Taxable Value of the Benefit

- 13 The taxable value of the benefit is generally calculated as the expenditure incurred (GST inclusive) which is attributable to the entertainment of the staff member (or associate).

Catering/Meals Codes

- 14 Staff should always refer to table [Entertainment at a Glance-Tax Exempt Bodies](#) to assist in the determination of whether the provision of food and drink is meal entertainment, and select the appropriate account code.
- 15 Two examples are given below using the following codes:
- 6901 Catering & Meals (Non-entertainment)
 - 6906 Entertainment Expenses - FBT Taxable
 - 6905 Entertainment Expenses - Non-Taxable for FBT *

* This is usually the customer/client/student portion. Entertainment expenses need to be separated (as above) otherwise FBT will be paid on the entire cost.

- 15.1 **Example 1:** A light lunch that meets the definition of an exempt benefit is catered for and consumed on the employer's premises. Attendees are clients and students, staff and some associates (i.e. partners). The nature of the lunch is that of a working lunch and not a social function, even though some partners have attended.

The staff, client and student portions are not subject to FBT, as it is not entertainment and the GST-exclusive cost should be coded to 6901.

The partner portion is subject to FBT and the GST-exclusive cost should be coded to 6906.

In addition, the partner portion is a reportable payment for FBT and will appear on the payment summary of the related staff member. The full name of both staff member and partner is therefore needed on payment documentation.

15.2 **Example 2:** A similar function to that in Example 1, but a social function.

As it is entertainment, both staff and partner portions would be subject to FBT and therefore the combined GST-exclusive cost should be coded to 6906.

Unlike example 1, with the provision of meal entertainment being an excluded reportable fringe benefit, the names of staff and their partners are not required.

The client and student portions are not subject to FBT and the combined GST exclusive cost should be coded to 6905.

GST

- 16 It should be noted that under the Goods and Services Tax Laws any GST paid cannot be claimed for the non tax deductible cost of entertainment, that is, the customer/client/student portion (Paragraph 69-5(3)(f) of the GST Act).
- 17 GST paid therefore cannot be claimed and must be charged to the budget centre. Finance will make the necessary adjustments for GST to be expensed back to budget centres.