

Actual entertainment expenditure method

Type of entertainment/non-entertainment	Meal entertainment (ME ^o)/Recreation ("R")	Subject to FBT (Y/N)	Tax deduction (0) (Y/N)	GST input tax credits (if GST paid) (Y/N)	References (where relevant)
1. Provided on employer's business premises					
(a) Employee amenities for current employees - tea and coffee, water dispensers, food or drink vending machines.	<i>Not entertainment</i>	N (1)	Y	Y	
(b) Light refreshments^o — in connection with meetings, training sessions, overtime, working lunch, weekend work, etc.					
— employees	<i>Not entertainment</i>	N (3)	Y	Y	IT 2675 TR 97117
— clients, contractors, suppliers, etc.	<i>Not entertainment</i>	N	Y	Y	
(c) Social activity/function (e.g., Friday night drinks, Christmas party or similar function)					
• food and drink (including alcohol, caterers, waters and waitresses)					
- employees	ME	N (3)	N (3)	N (3)	TR 97/17
- associates	ME	Y (4)	Y (4)	Y (4)	
- clients, contractors, suppliers, etc.	ME	N	N	N	
• taxi travel (e.g., single trip that begins, or ends, at work)					
- employees (including accompanying spouse)	ME (5)	N (5)	N (5)	N (5)	
- clients, contractors, suppliers, etc.	ME (5)	N	N	N	
2. Business lunches and dinners - at a restaurant or similar venue					
- employees and associates	ME	Y (4)	Y (4)	Y (4)	TR 97/17
- clients, contractors, suppliers, etc.	ME	N	N	N	

Meal entertainment – No mess, no fuss and no mistakes!

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3. Food and drink consumed by employees travelling overnight on business					
(a) Travelling employee dines alone or with other travelling employee	<i>Not entertainment</i>	N (6)		Y	
(b) Travelling employee dines with non-travelling employee	<i>Not entertainment</i>	N (6)	Y	Y	
- travelling employee's meal	ME	Y (4)	Y (4)	Y(4)	
- non-travelling employee's meal					
(c) Travelling employee dines with non-travelling client	<i>Not entertainment</i>	N (6)	Y	Y	TR 97/17
travelling employee's meal	ME	N	N	N	
- client's meal					
(d) Travelling employee dines with spouse	<i>Not entertainment</i>	N (6)	Y	Y	
- travelling employee's meal	ME	Y (4)	Y (4)	Y (4)	
- spouse's meal					
4. Overnight conferences - employees only					
• food and drink provided during conference	<i>Not entertainment</i>	N (6)	Y	Y	
• food and drink consumed with entertainment (e.g., dinner dance)	ME	N (7)	Y (7)	Y (7)	
• game of golf, tennis, sightseeing, etc. during free time	R	Y (4)	Y (4)	Y (4)	TR 97/17
• accommodation during conference only	<i>Not entertainment</i>	N (6)	Y	Y	
• travel to and from conference venue	<i>Not entertainment</i>	N (6)	Y	Y	

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5. Food and drink consumed by employees at seminars light breakfast provided at CPD (morning) seminar	Not entertainment	N (6)	Y	Y	TR 97117
<ul style="list-style-type: none"> light refreshments provided (which may include some alcohol) at CPD seminar 	Not entertainment	N (6)	Y	Y	TD 931195
6. Social function — at a restaurant, function centre, etc. (e.g. Christmas party, awards night or similar function) employees and associates only (8)	ME	Y (8)	Y (8)	Y (8)	
<ul style="list-style-type: none"> travel and/or accommodation connected with function 	ME (8)	Y (8)	Y (8)	Y (8)	TR 97117
<ul style="list-style-type: none"> venue hire (e.g., at a function or reception centre) 	R	Y (8)	Y (8)	Y (8)	
<ul style="list-style-type: none"> band and/or other entertainers hired separately 	R	Y (8)	Y (8)	Y (8)	
7. Gifts bottle of whiskey, wine or similar drink, Christmas hamper or similar food/drink baskets, perfume, flowers, pen set, etc.	Not entertainment	Y (9)	Y	Y	
<ul style="list-style-type: none"> - employees and associates — clients, contractors, suppliers, etc. 	Not entertainment	N	Y	Y	TD 94155
<ul style="list-style-type: none"> tickets to theatre, movie, sporting event 		Y (9)	Y (9)	Y (9)	
<ul style="list-style-type: none"> - employees and associates clients, contractors, suppliers, etc. 	R	N	N	N	

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8 . Corporate box functions					
food and drink (including alcohol)					
— employees and associates	ME	Y(4)	Y(4)	Y(4)	
— clients, contractors, suppliers, etc.	ME	N	N	N	TD 921162
• hire of corporate box					
— employees and associates	R	Y(4)	Y(4)	Y(4)	TR 97/17
- clients, contractors, suppliers, etc.	R	N	N	N	
• advertising	<i>Not entertainment</i>	N	Y	Y	
9 . Corporate sporting days (e.g. , golf/tennis)					
• food and drink (including alcohol)					
— employees and associates	ME	Y(4)	Y(4)	Y (4)	
— clients, contractors, suppliers, etc.	ME	N	N	N	
• hire of sporting facilities (e.g., golf course)					
— employees and associates	R	Y(4)	Y(4)	Y(4)	
clients, contractors, suppliers, etc.	R	N	N	N	

0) No deduction is allowed for any GST input tax credit entitlement relating to an employer's entertainment/non-entertainment expenditure. Refer to S.27-5 of the ITAA 1997.

- 1) No FBT is payable because of the exemption under S.47(3) and (4) of the FBT Act.
- 2) 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.
- 3) No FBT is payable because of the exemption under S.41 of the FBT Act, assuming food and drink is provided on a working day to a current employee and the charges mentioned earlier do not apply. Therefore, this exemption will only apply to current employees. Where this exemption applies to meal entertainment, no tax deduction nor GST input tax credits can be claimed.
- 4) Where the FBT minor benefits exemption applies under S.58 P of the FBT Act, no tax deduction nor GST input tax credits can be claimed.
- 5) Taxi travel related to such a social activity/function would normally be provided in connection with, or to facilitate, *meal entertainment*. Further, where taxi travel is provided to an employee, and is a single trip that *begins* or *ends* at the employee's place of work, the benefit is FBT exempt under S.58Z of the FBT Act. In these circumstances, no deduction nor GST input tax credit can be claimed for any taxi travel costs.
- 6) No FBT is payable because of the *"otherwise deductible"* rule (i.e., a deduction would have been available to the employee if he/she had personally incurred the expense). However, in relation to employees travelling overnight on business (i.e., Item 3. in the above table), where a meal is consumed with entertainment (e.g., during a live floor show), the ATO is *likely* to argue *meal entertainment* is being provided. In this case, the "otherwise deductible" rule will not apply and, therefore, FBT will be payable.
- 7) Although considered *meal entertainment*, an income tax deduction would be available to the employer, assuming the *exception* in S.3235 of the ITAA 1997 applies (i.e., for *meal entertainment* that is reasonably incidental to attending an eligible seminar that goes for *at least 4 hours*). Also, no FBT would be payable by the employer, because, had the employee incurred the expense personally, he/she would be entitled to a deduction on the basis of S.32-35.
- 8) The following points should be noted:
 - Expenditure on the social function related to clients, contractors, suppliers, etc. (i.e., non-employees) is not subject to FBT, not deductible, and not eligible for GST input tax credit claims.
 - Travel and/or accommodation would normally be provided in connection with, or to facilitate, *meal entertainment*. Therefore, this expenditure would be exempt from the FBT payment summary reporting requirements.
 - Where the FBT minor benefits exemption applies, no tax deduction nor GST input tax credits can be claimed. This would *generally* be the case where the cost of the relevant benefit is *less than \$300* per employee.
- 9) These benefits will be subject to FBT unless a specific exemption applies, such as:
 - the minor benefits exemption (i.e., *generally*, for individual benefits costing less *than \$300*);
 - the long service awards exemption under S.58Q of the FBT Act (i.e., for at least 15 years of service with the employer); or
 - the safety awards exemption under S.58R of the FBT Act.Where *recreation* gifts are exempt from FBT, no tax deduction nor GST input tax credits will be allowed.
- 10) Where it can be shown that a corporate box is also used for advertising, the Commissioner will *generally* accept that 5% of the hiring/leasing costs of the facility relate to deductible advertising. However, in some cases, an employer may be able to establish a higher advertising proportion.