



KALLINICOS & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

Guiding your business in the right direction

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FBT tip for Xmas time

When holding Christmas parties, employers are generally liable to pay fringe benefits tax (FBT) on the cost of food and drink (meal entertainment) which is provided to employees and their families*.

Note (): FBT does not apply to meal entertainment provided to clients and suppliers.*

However, if the employer calculates its FBT on the 'actual' basis (i.e., rather than the 50/50 formula method), then it may be able to **completely eliminate** this FBT liability using the 'minor benefits exemption'.

Generally speaking, if the value of the Christmas party provided to an employee or family member is less than \$300 per head, it may be exempt from FBT as a 'minor benefit'. This can also apply to gifts made to employees and family members.

Surprisingly, for the purposes of the \$300 minor benefit threshold, the following tips should be considered:

- q where a benefit is provided to both an employee and their family member (e.g., a spouse), the benefits are applied **separately** to the \$300 threshold; and
- q where a gift is associated with a Christmas party (e.g., it is provided at the party), each benefit (i.e., the gift and the party) is applied separately to the \$300 threshold.

However, note that no deduction can be claimed for **entertainment** benefits provided to employees, where the minor benefit exemption applies.

Example

An employer holds an external Christmas party for employees only.

The cost of food and drink per person is \$260.

Employees with spouses are given a gift voucher (for their spouse), to the value of \$150.

Assuming the actual method is adopted:

- u for all employees attending the party – FBT is not payable on the food and drink because each separate benefit is less than \$300 (i.e., the benefits are not aggregated); and

- u for employees with a spouse – no FBT is payable on the voucher.

As a result, no deduction is allowed for the entertainment, however, the voucher *is* deductible*.

Note(): No deduction is allowed for any GST input tax credit that can be claimed.*

Christmas gifts

Clients often ask what are they allowed to give away as Christmas gifts. Well briefly . . .

The following types of gifts are **not** considered to be entertainment and are therefore deductible:

- q a Christmas hamper, a bottle of whisky, wine, etc.; and
- q gift vouchers, a bottle of perfume, flowers, a pen set, etc.

Examples of **entertainment** gifts include tickets for sporting events or the movies, and holidays.

Briefly, the general FBT and income tax consequences for **non-entertainment** gifts are as follows:

- u gifts to employees and family members – FBT is payable (except where minor benefit exemption applies) and a tax deduction is allowed.
- u gifts to clients, suppliers, etc. – no FBT, and a tax deduction is allowed.

Just remember, just because it is not subject to fringe benefits tax, doesn't mean you can claim it as a tax deduction!

FBT on laptops and GPS receivers

The Tax Office has confirmed that, after the Government's changes to the FBT laws from 13 May 2008, a GPS navigation receiver provided to an employee can be a 'portable electronic device' and can therefore be exempt from FBT as an 'eligible work related item'.

Also, a laptop provided to an employee can still be 'primarily for use' in their employment, and exempt, even if they sometimes use it for private purposes and the employer has no private use policy.

Medicare benefit tax statements now available online

Taxpayers can now access their Medicare benefit tax statement on the internet, via Medicare Australia's Online Services. Those not registered for Online Services are encouraged to register now so that they can get their Medicare benefit tax statement online when they need it, via the internet at:

www.medicareaustralia.gov.au/online or by visiting their local Medicare office.

The Medicare benefit tax statement will help people claim the net medical expenses tax offset as it contains information on medical services and expenses claimed in the previous financial year.

First home saver accounts (FHSAs)

The ATO has provided a Fact Sheet on its website regarding first home saver accounts which financial institutions are now providing.

Please contact us if you would like us to provide more detailed information.

Why open an FHSA?

Basically, the government will contribute a certain percentage/amount into the FHSA provided the taxpayer is eligible for the concession.

Taxpayers can receive a tax-free amount of up to \$850 in 2008/09 (calculated at the rate of 17% of contributions (up to \$5,000) made to the FHSA.)

Taxpayers must make contributions (from after-tax income) of at least \$1,000 for each of four financial years (not necessarily consecutive) before they can withdraw their money. Other people can contribute to the account.

Earnings on FHSAs are only taxed at 15%, and the account provider (bank) is liable to pay it.

If a taxpayer decides not to go ahead with buying or building their first home, they must contribute the funds deposited to the FHSA into their superannuation fund.

What about the First Home Owners Grant?

Taxpayers are still entitled to apply for a First Home Owners Grant if they decide to open an FHSA.

Tax Planning – START NOW!!

You might think that the end of financial year is still many months away, but with Christmas fast approaching, it will be here before you know it.

Therefore, we want to ensure that all our clients realise the benefit of tax planning at least 6 months in advance. This gives you plenty of time to determine which course of action you wish to take to ensure for your future retirement and which investments will provide for this.

December Business Activity Statement due 28 February 2009

Because of the Christmas-New Year break, many businesses will be closed to at least early/mid January 2009.

Please send all information necessary to us by 19th January 2009.

It is imperative that you do not delay in preparing your records!

Merry Christmas from Kallinicos & Associates

At this time we would like to wish you all a very Merry Christmas and a Happy, Prosperous New Year.

We look forward to a new year with you in 2009.

Best wishes,

Emanuel Kallinicos, John Stavrou and all the staff at Kallinicos & Associates



Please note that our office will be closed from 5.00pm Tuesday, 23rd December 2008 and will reopen on Wednesday, 7th January 2009