

ENTERTAINMENT

Presenter:
Tony Evans
Tax Specialist
Gustax Consulting Pty Ltd

October, 2004

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

CONTENTS

- 1. Definitions**
- 2. General Entertainment**
- 2. Meal Entertainment**
- 3. Entertainment facility leasing**
- 4. Entertainment provided by exempt bodies**

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

APPLICABLE LAW

- 1. 1936 Tax Act – Section 51AE**
- 2. 1997 Tax Act – Division 32**
- 3. FBT Act – Divisions 9A & 10**
- 4. GST Law – Division 69**
- 5. Benefit reporting**

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

1.0 DEFINITIONS

- 1. Entertainment**
- 2. Meal entertainment**
- 3. When meals are not entertainment**
- 4. Entertainment facility leasing**
- 5. Fringe benefit**

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

1.1 DEFINITIONS - ENTERTAINMENT

- 1. Actual definition**
- 2. ATO guidance**
- 3. Provision of:-**
 - 1. Food**
 - 2. Drink**
 - 3. Recreation**

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

1.1 DEFINITIONS - ENTERTAINMENT

- 1. Actual definition**
- 2. ATO guidance**
- 3. Provision of:-**
 - 1. Food**
 - 2. Drink**
 - 3. Recreation**

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

1.2 MEAL ENTERTAINMENT - DEFINITION

- Meal entertainment benefits
- Provision of meal entertainment
 - Food or drink
 - Travel or accommodation
 - Payment or reimbursement of expenses
- Only can be provided by employer

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

1.2 MEAL ENTERTAINMENT - DEFINITION

- Interpretation of definitions
 - Wider than tax definition
 - Implications of limitations
 - Incurred by employer
 - Net expenditure
 - Other FBT rules apply if provided by others

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

1.3 WHEN MEALS ARE NOT ENTERTAINMENT

- When food, drink & meals are not entertainment
 - Type of food
 - When provided
 - Where provided
 - Why provided

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

1.4 DEFINITION – ENTERTAINMENT FACILITY LEASING

- Definition
 - Includes corporate boxes, boats & planes
 - Cannot be business premises
- Does not include advertising
 - signage
- Excludes food & drink
 - Normal entertainment rules apply to these items

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

1.5 DEFINITIONS – FRINGE BENEFITS

- What is A Fringe Benefit
 - Benefit
 - Provided to an employee or associate
 - Provided by the employer, an associate or another person under an arrangement
 - In respect of employment

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

2.0 GENERAL ENTERTAINMENT

1. Income tax consequences
2. FBT consequences
3. GST consequences
4. Reporting issues
5. Planning issues

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

2.1.1 GENERAL ENTERTAINMENT – INCOME TAX CONSEQUENCES

No tax deduction available unless:-

- Not entertainment
- Subject to FBT
- Meets the various other exceptions

No tax deduction for property used to provide entertainment

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

2.1.2 GENERAL ENTERTAINMENT – INCOME TAX CONSEQUENCES

Exceptions

- Employer expenses
- Seminar expenses
- Entertainment industry expenses
- Promotion and advertising expenses
- Other Expenses

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

2.1.2 GENERAL ENTERTAINMENT – INCOME TAX CONSEQUENCES

Employer Expenses

- In-house dining facilities
- To employees associated with dining facility / entertainment industry
- Overtime arrangements under industrial instrument
- Recreational facilities
- Certain exempt fringe benefits
- Entertainment allowances

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

2.1.2 GENERAL ENTERTAINMENT – INCOME TAX CONSEQUENCES

Employer Expenses

- In-house dining facilities
- To employees associated with dining facility / entertainment industry
- Overtime arrangements under industrial instrument
- Recreational facilities
- Certain exempt fringe benefits
- Entertainment allowances

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

2.1.2.2 GENERAL ENTERTAINMENT – INCOME TAX CONSEQUENCES

Seminar Expenses

- Definition of eligible seminar
 - More than 4 hours
 - Not a management meeting
 - Food / drink are incidental
 - Sustenance
 - Travelling costs

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)

2.1.2.3 GENERAL ENTERTAINMENT – INCOME TAX CONSEQUENCES

Entertainment Industry Expenses

- **Provided as part of your ordinary course of business**
- **Employees providing entertainment as part of their duties where the employer carries on a business of providing entertainment**

GUSTAX CONSULTING PTY LTD
(JUST TAX CONSULTING)