This decision tree assists in the proper classification of entertainment expenditure. Further assistance is provided at the end of this Part in the ‘Help Table’ with common examples and their appropriate fringe benefits tax classification.

**Is it entertainment?**

- **Yes**
  - Expenditure needs to be apportioned between employees, associates and clients to determine the taxable value
  - **Is it tax deductible entertainment?**
    - **Yes**
      - Classified as Tax-exempt body entertainment fringe benefit
      - Taxable values calculated using:
        - Actual method; or
        - 50/50 method when election made on meal entertainment
    - **No**
  - **No**
    - It is an expense payment fringe benefit?
      - **Yes**
        - [Refer to Section 4.5]
      - **No**
        - **Is it meal entertainment (i.e. other than by way of recreation)?**
          - **Yes**
            - Was a meal entertainment election made?
              - **Yes**
                - [Refer to Section 4.9]
              - **No**
                - [Refer to Section 4.8]
          - **No**

**Is it tax deductible entertainment?**

- **Yes**
  - **No**

**Is it meal entertainment (i.e. other than by way of recreation)?**

- **Yes**
  - [Refer to Section 4.8]
- **No**

**Is it a property fringe benefit?**

- **Yes**
  - [Refer to Section 4.8]
- **No**

**Is it a residual fringe benefit?**

- **Yes**
  - Otherwise deductible rule or other exemptions may apply
- **No**

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What is entertainment?

The provision of entertainment means the provision of:

- entertainment by way of food, drink or recreation; or
- accommodation or travel in connection with, or to facilitate the provision of, such entertainment.

Tax-Exempt Body Entertainment Fringe Benefit

Tax-exempt body entertainment fringe benefit is NON-DEDUCTIBLE entertainment provided to employees by a tax-exempt body such as the University.

This type of entertainment is treated in a different manner for FBT purposes than entertainment provided by a taxable employer.

Is Entertainment Tax Deductible?

Expenses incurred in respect of the provision of entertainment are generally not allowed as an income tax deduction.

Where entertainment is deductible (see below) it will not constitute tax-exempt body entertainment fringe benefit. Food, drink, travel and other entertainment which is not tax-exempt body entertainment may constitute either an expense payment fringe benefit [Refer to Part 4.5], property fringe benefit [Refer to Part 4.8] or residual fringe benefit [Refer to Part 4.9] and applicable reductions and exemptions will also need to be considered.

Deductible Entertainment Includes:

- food and drink consumed on business travel away from home (see example IX in the ‘Help Table’ at the conclusion of this Part);
- food and drink provided at an ‘eligible seminar’ (see examples VI and VII in the ‘Help Table’ at the conclusion of this Part);
- food and drink provided at an exempt training seminar’ (see example VIII in the ‘Help Table’ at the conclusion of this Part);
• food and drink provided on working days in an ‘in-house dining facility’ (see examples III and IV in the ‘Help Table’ at the conclusion of this Part);

• food and drink provided on working days in an eligible dining facility’ to employees whose employment duties are performed in that facility;

• overtime meals provided to an employee pursuant to an industrial award.

**Business Travel Away From Home**

Generally, food and drink provided to an employee travelling in the course of their employment is tax deductible entertainment and does not constitute ‘meal entertainment’. As a result, the benefit(s) provided will be classified as either expense, property or residual fringe benefits with possible reductions/exemptions.

Where there is entertainment other than food or drink provided (eg a floor show) then the expenditure is in respect of entertainment and will amount to meal entertainment. The University then has the option to elect to use either the 50/50 or log book method to calculate the fringe benefits tax liability of the ‘meal entertainment’. Alternatively, no election need be made and the benefits provided will be classified as expense, property or residual fringe benefits with possible exemptions/reductions.

Compensation to an employee for travelling expenses must be reasonable. Certain substantiation requirements exist for employees travelling in the course of their employment, regardless of whether the expenditure constitutes deductible or non-deductible entertainment, and are set out in the following decision tree.

* Separate rules apply for travelling allowances paid to employees.
Is the travel by the employee within Australia?

Yes

Was the travel undertaken exclusively in the course of performing employment duties?

No

Is the employee away from his/her usual place of residence for more than 5 nights?

Yes

Travel Diary required \[1\]

Yes

Declaration [4.5 (Attachment A or C)]

No

Documentary evidence required (eg. receipts)

No

A travel diary is required to record the nature of each business activity, the day and approximate time when it began, how long it lasted, where the activity took place.

Should there be any entertainment expenditure incurred whilst travelling in the course of employment the entertainment may be subject to FBT.

\[1\] A travel diary is required to record the nature of each business activity, the day and approximate time when it began, how long it lasted, where the activity took place.
Eligible Seminars

To qualify as an eligible seminar all of the following conditions must be satisfied:

• there must be a conference, convention, lecture, training session, or educational course;

• it must have continuous duration of 4 hours or more. Meals, rest or recreation breaks are not treated as affecting the continuity of a seminar and are not taken into account in determining the duration;

• the sole or dominant purpose of the seminar must not be the promotion or advertising of the University or its goods or services; and

• the sole or dominant purpose of the seminar must not be the provision of entertainment.

Generally a meeting will not be an eligible seminar if its sole or dominant purpose is to enable discussion of the affairs of the University between persons associated with the University (unless the meeting qualifies as an ‘exempt training seminar’).

Exempt Training Seminar

An exempt training seminar must be:

• organised by or on behalf of the University solely for training employees in matters relevant to the business of the University, and/or enabling employees to discuss general policy issues relevant to the internal management of the University’s business; and

• conducted in conference facilities operated by a business operation unrelated to the University.

In-house Dining Facilities

An in-house dining facility means:

• a canteen, dining room or similar facility that is located on the University’s premises;

• the facility is operated wholly or principally for providing food and drink on working days to employees; and

• the facility is not open to the public at any time.

An in-house dining facility does not include a boardroom or meeting room with kitchen facilities.
Some relief from fringe benefits tax is also available for employees working in the restaurants. (See definition of an ‘eligible dining facility’).

Where employees are provided with meals in a in-house dining facility not at a social function, these meals will not be subject to FBT. Where associates are provided meals in the in-house dining facility the meals will be subject to FBT, refer to the help table items III and IV.

**Eligible Dining Facility**

An eligible dining facility means:

- a canteen, dining room, or similar facility;
- a cafe, restaurant or similar facility; and
- the food and drink is provided to employees whose duties of employment are performed in that facility.

**Employees who work at the campus restaurants**

Food and drink provided at the restaurants to these employees will be classified as an exempt property fringe benefit [Refer to Part 4.8].

**Overtime Meals**

The provision of overtime food or drink to an employee pursuant to an industrial award will either be an expense payment [Refer to Part 4.5], property [Refer to Part 4.8] or residual [Refer to Part 4.9] fringe benefit.

In addition, if an employee receives an overtime meal allowance under an industrial award, the employee is assessed on the allowance and the University is not liable to fringe benefits tax on this amount.

The employee may be able to claim a tax deduction for costs actually incurred on the overtime meals.

**Morning Teas, Afternoon Teas and Light Meals**

Breakfasts, light lunches and morning and afternoon teas provided to University employees (and associates of employees) on a working day on University premises is not the provision of entertainment. Similar refreshments provided to ‘visitors’ to the University’s premises do not constitute the provision of entertainment.
Expenditure on morning and afternoon tea and light meals is not entertainment. It will need to be considered under expense payment [Refer to Part 4.5], property [Refer to Part 4.8] or residual [Refer to Part 4.9] fringe benefits together with any applicable reductions or exemptions.

**Morning and afternoon tea**

Morning and afternoon tea include light refreshments such as:

- tea and coffee;
- fruit drinks;
- cakes and biscuits etc.; but
- does not include alcohol.

**Light meals**

Light meals include:

- sandwiches;
- ‘finger foods’;
- salads; and
- orange juice etc. that are intended to, and can, be consumed on the University’s premises.

**Alcohol**

As light meals become more elaborate, they take on more of the characteristics of entertainment. If alcohol is provided at morning or afternoon tea or at a light meal, this constitutes entertainment.

Food and drink (including alcohol) consumed by an employee whilst travelling in the course of his/her employment does not constitute entertainment unless it is consumed at the same time as a floor show or other form of entertainment. (See example IX in the ‘Help Table’).

**Minor Entertainment Benefits**

Certain tax-exempt body entertainment minor fringe benefits are exempted from FBT if they are less than $100 GST Inclusive (per person) and it would be unreasonable to treat them as a fringe benefit. Minor entertainment benefits provided by the University will only be exempt where:

- entertainment is provided to the employee or associate on University premises solely as a means of recognising the special achievements of the employee in a matter related to his/her employment (e.g. award ceremony); or
- the provision of entertainment to the employee or associate is merely incidental to the provision of entertainment to outsiders and the meal provided to the employee or associate consists of light refreshment.

It is important to note that the minor fringe benefits exemption for taxable employers (i.e. entities subject to income tax) are not the same as the above rules which apply to tax exempt entities.
Christmas Party

Where the University provides employees with a Christmas party it will be a tax-exempt body entertainment fringe benefit. Therefore, even where the Christmas party is held on University premises it will not be exempt from FBT as it is not a property fringe benefit. The minor exempt benefit mentioned above will not apply even where the notional taxable value is less then $100 GST Inclusive per employee because the entertainment is not incidental to provision of entertainment to outsiders or as recognising the special achievements of an employee.
EXAMPLE

<table>
<thead>
<tr>
<th>Entertainment Expenditure (ITC: input tax credit can be claimed/ NO-ITC no input tax credit can be claimed)</th>
<th>FBT TREATMENT</th>
</tr>
</thead>
</table>
| I  
Food and drink consumed on University premises at a social function. Includes boardroom meeting luncheon with alcohol |  
⇒ Employee: ITC  
FBT: Tax-exempt body entertainment  
⇒ Associate: ITC  
FBT: Tax-exempt body entertainment  
⇒ Client: No-ITC  
No FBT |
| II  
Light meals, morning tea or afternoon teas consumed on University premises (including the restaurants) |  
⇒ Employee: ITC  
No FBT. Exempt property fringe benefit (Refer to Part 4.8).  
⇒ Associate: ITC  
FBT: Being EITHER: expense payment (Refer to Part 4.5), property (Refer to Part 4.8) or residual (Refer to Part 4.9) fringe benefit.  
⇒ Client: ITC  
No FBT |
| III  
Food and drink at an in-house dining facility not at a social function. |  
⇒ Employee: ITC  
No FBT. Exempt property fringe benefit.  
⇒ Associate: ITC  
FBT: Being EITHER: expense payment (Refer to Part 4.5), property (Refer to Part 4.8) or residual (Refer to 4.9) fringe benefit.  
⇒ Client: No–ITC  
No FBT |
## Taxation Manual

**FRINGE BENEFITS TAX**  
**ENTERTAINMENT FRINGE BENEFITS**  
**Section**: 4.0  
**Part**: 4.4  
**Revised Date**: 24.07.2006

<table>
<thead>
<tr>
<th>EXAMPLE</th>
<th>ENTERTAINMENT EXPENDITURE</th>
<th>FBT TREATMENT</th>
</tr>
</thead>
</table>
| **IV**  
Food and drink at an in-house dining facility at a social function.  
⇒ Employee | ITC | FBT: Tax-exempt body entertainment |
|  ⇒ Associate | ITC | FBT: Tax-exempt body entertainment |
|  ⇒ Client | No-ITC | No FBT |
| **V**  
Food and drink consumed at a social function or business lunch off University premises  
⇒ Employee | ITC | FBT: Tax-exempt body entertainment |
|  ⇒ Associate | ITC | FBT: Tax-exempt body entertainment |
|  ⇒ Client | No-ITC | No FBT |
| **VI**  
Food and drink consumed at a training session, which satisfies the definition of an eligible seminar (on or off University premises)  
⇒ Employee | ITC | NO FBT: Expense payment fringe benefit reduced by the 'otherwise deductible rule'. (Refer to Part 4.5) |
|  ⇒ Associate | ITC | FBT: Being EITHER: expense payment (Refer to Part 4.5), property (Refer to Part 4.8) or residual (Refer to Part 4.9) fringe benefit. |
| **VII**  
Food and drink consumed at a training session which does not satisfy the definition of an eligible seminar  
⇒ Employee | ITC | FBT: Tax-exempt body entertainment |
|  ⇒ Associate | ITC | FBT: Tax exempt body entertainment |

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## Taxation Manual

### FRINGE BENEFITS TAX

**ENTERTAINMENT FRINGE BENEFITS**

**Revised Date:** 24.07.2006

<table>
<thead>
<tr>
<th>EXAMPLE</th>
<th>ENTERTAINMENT EXPENDITURE</th>
<th>FBT TREATMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIII</td>
<td>Food and drink consumed off University premises at a training session which satisfies the definition of an exempt training seminar</td>
<td></td>
</tr>
<tr>
<td>⇒ Employee</td>
<td>ITC</td>
<td>No FBT: Expense payment reduced by otherwise deductible rule (Refer to Part 4.5).</td>
</tr>
<tr>
<td>⇒ Associate</td>
<td>ITC</td>
<td>FBT: Expense payment fringe benefit (Refer to Part 4.5)</td>
</tr>
<tr>
<td>IX</td>
<td>Food and drink consumed by an employee, their spouse and client whilst travelling</td>
<td></td>
</tr>
<tr>
<td>⇒ Employee</td>
<td>ITC</td>
<td>No FBT: Expense payment reduced by otherwise deductible rule (Refer to Part 4.5).</td>
</tr>
<tr>
<td>⇒ Associate</td>
<td>ITC</td>
<td>FBT: Expense payment fringe benefit (Refer to Part 4.5)</td>
</tr>
<tr>
<td>⇒ Client</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X</td>
<td>Employee dines at a restaurant with clients (not whilst travelling) and the meal is paid by the University credit card</td>
<td></td>
</tr>
<tr>
<td>⇒ Employee</td>
<td>ITC</td>
<td>Tax-exempt body entertainment</td>
</tr>
<tr>
<td>⇒ Client</td>
<td>No-ITC</td>
<td>No FBT</td>
</tr>
<tr>
<td>XI</td>
<td>University staff attend a ‘weekend retreat’ with a 2 hour meeting and the remaining time is spent participating in group activities</td>
<td></td>
</tr>
<tr>
<td>⇒ Employee</td>
<td>ITC</td>
<td>Tax-exempt body entertainment</td>
</tr>
</tbody>
</table>

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