

DUTTON'S TAX DEDUCTIBLE LUNCHES

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You may have seen or read in the press about Peter Dutton's election policy to give small businesses a tax deduction for staff or client meals and entertainment.

If he's successful, it could be a return to the "long lunch" as it was known in the 1980's, when things like this were once tax deductible, until the Hawke government squashed it in the mid 80s, with the introduction of Fringe Benefit Tax (FBT).



So what are the current rules on business lunches I hear you ask?

Great question. Here they are...

- Taking staff out to a meal at a restaurant is subject to FBT if it takes the form of 'entertainment' (FBT is taxed to the employer at the highest marginal tax rate).
- There is an exception if the value of the meal/drinks is less than \$300 per head or consumed on the business premises on a work day.

Here's some factors when determining what is 'entertainment':

Factor	Less likely to be entertainment	More likely to be entertainment
Why are you providing the food or drink for employees?	So employees can complete the working day in comfort	In a social situation where the purpose is for employees to enjoy themselves
What type of food or drink are you providing?	Light food and refreshments, no alcohol	Elaborate food or meal, alcohol
When are you providing the food or drink?	During work time or overtime, or while employee is travelling for work	Outside work time
Where are you providing the food or drink?	On your business premises or at the employee's usual workplace	Off your business premises, such as at a function room, hotel or restaurant, or consumed with other forms of entertainment

It is common for meal outings to fall under the 'less than \$300 per head' exemption. However, when this occurs, the amount spent is not tax deductible.

There is a myriad of other rules under the FBT regime, and they can be a minefield to navigate!

Please contact your accountant if you would like to know more.