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Entertainment-related fringe benefits

Work out if FBT applies to food, drink or recreation, and any associated travel or accommodation.

How to work out FBT on entertainment

Use these steps to work out the FBT on food, drink and recreation you provide to employees.

When is food, drink and recreation considered entertainment?

Find out if food, drink and recreation you provide to employees is considered entertainment that is subject to FBT.

Exempt entertainment benefits for business

Entertainment may be exempt from FBT if it is a minor benefit, taxi travel, or food and drink on your premises.

Common entertainment scenarios for business

Examples of how FBT applies to businesses for Christmas parties, recreation days, seminars and other events.

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Calculating the taxable value of entertainment-related benefits

Use the actual value or meal entertainment methods to work out the taxable value of entertainment-related benefits.

QC 71135

How to work out FBT on entertainment

Use these steps to work out the FBT on food, drink and recreation you provide to employees.

Last updated 12 January 2023

Step 1: Determine if the food, drink or recreation is considered entertainment

Whether you're in business, a not-for-profit organisation or government, you first need to work out if food, drink or recreation you provide is considered entertainment.

Step 2: Determine if the entertainment is a tax-exempt body entertainment fringe benefit

This only affects not-for-profit and government organisations.

A tax-exempt body entertainment fringe benefit is a non-deductible entertainment benefit provided to employees (or their associates) by an income tax exempt organisation.

Step 3: Check if the benefit is exempt from FBT

Check the exemptions and concessions for:

- businesses
- not-for-profit and government organisations.

Step 4: Check if you can reduce your FBT liability

There are several ways you can reduce your FBT. For example, you can provide a cash bonus instead of a benefit, or your employee might contribute to the cost of the entertainment.

Step 5: Calculate the taxable value of the entertainment

Before you can work out any FBT liability, you need to calculate the taxable value of entertainment-related benefits.

Step 6: Lodge, report and pay FBT

If you have an FBT liability, you will need to:

- calculate how much FBT to pay
- lodge your FBT return
- pay the FBT you owe
- check if you should report the fringe benefit in your employee's payment information through Single Touch Payroll (or on your employee's payment summary).

Claiming tax deductions and GST credits

You can generally claim an income tax deduction and GST credits for the cost of providing entertainment that is a fringe benefit. This does not apply to exempt benefits because they are not fringe benefits.

- If you can claim GST credits, you claim the GST-exclusive fringe benefit amount as an income tax deduction.
- If you can't claim GST credits, you claim the whole fringe benefit amount as an income tax deduction.
- Income tax exempt organisations do not claim income tax deductions.

Entertainment benefits provided to people other than employees or their associates (to clients for example) are not subject to FBT and are generally not income tax deductible for employers.

For more information see FBT guide: 14.15 Income tax deductibility.

QC 71136

When is food, drink and recreation considered entertainment?

Find out if food, drink and recreation you provide to employees is considered entertainment that is subject to FBT.

Last updated 12 January 2023

Does this affect you?

As an employer, you are providing a fringe benefit if all the following apply:

- You provide food, drink or recreation to your employees or their associates (such as their families).
- The food, drink or recreation is considered entertainment.
- The entertainment is not an exempt benefit.

Entertainment includes:

- reimbursing employee expenses associated with entertainment
- accommodation and travel associated with entertainment.

You may be providing entertainment in situations such as:

- business lunches and drinks
- parties and staff social functions
- product release functions, reward and recognition functions
- sporting or theatrical events
- gym or sporting club memberships
- sightseeing tours and holidays.

When is food or drink considered entertainment?

Use the factors below to determine if the food or drink you provide is considered entertainment. All the factors are relevant, but the first 2 ('why' and 'what') are the most important.

Determining if food or drink 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

Example: determining whether food or drink is entertainment

Twinsprings Pty Ltd has employed Gabrielle for a number of years. She will soon be leaving the company.

In recognition of Gabrielle's loyalty, her manager, Paul, wants to host a late afternoon farewell function at a local hotel. Paul plans to:

- provide drinks, including alcohol, and light refreshments such as finger foods
- invite staff, clients and Gabrielle's family members
- hire a mini bus to take guests to the venue.

To determine whether fringe benefits tax (FBT) applies to the function, Paul needs to consider:

- **Why** – Twinsprings is providing the food and drink in a social situation where the purpose is for employees, associates and clients to enjoy themselves.
- **What** – while light refreshments are often not considered to be entertainment, as Twinsprings is providing alcohol there is a social context.
- **When** – although Twinsprings is providing the food and drink during working hours, it has the character of entertainment as it is a social function.
- **Where** – Twinsprings is providing the food and drink in a private function room at the local hotel, not on their business premises.

Paul determines that the farewell function for Gabrielle should be treated as entertainment.

Webinar: Eat, drink and be merry

Media: FBT Eat, drink and be merry! (webinar recording) https://tv.ato.gov.au/ato-tv/media?v=bd1bdiunya3by1 (**Duration:** 56:59)

To find out how these rules apply in specific situations, such as Christmas parties, see:

- Common entertainment scenarios for business
- Common entertainment scenarios for income tax exempt bodies.

When is recreation considered entertainment?

Recreation that is entertainment includes amusement, sport and similar leisure activities, such as:

- a game of golf
- a gym membership
- membership of a sporting club
- theatre or movie tickets
- a joy flight or harbour cruise
- accommodation and travel in connection with entertaining clients or employees over a weekend at a tourist resort.

To find out how these rules apply in specific situations, such as sports days, see:

- Common entertainment scenarios for business
- Common entertainment scenarios for income tax exempt bodies.

How to classify entertainment-related benefits

There is no specific category of 'entertainment fringe benefit'. Instead, you classify entertainment as one of four types of fringe benefits, depending on the circumstances. For example:

- the cost of theatre tickets purchased by an employee and reimbursed by the employer may be an expense payment fringe benefit
- providing food and drink may be a property fringe benefit
- providing accommodation or transport in connection with entertainment may be a residual fringe benefit
- entertainment provided by an employer who is exempt from income tax (for example, a registered charity) may be a tax-exempt body entertainment benefit.

QC 71137

Exempt entertainment benefits for business

Entertainment may be exempt from FBT if it is a minor benefit, taxi travel, or food and drink on your premises.

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The following exemptions are for commercial businesses. There are different exemption rules for not-for-profit and government organisations.

Generally, fringe benefits tax (FBT) does not apply if the entertainment is:

- a minor benefit
- taxi travel to or from work
- food or drink consumed by employees on your business premises.

You can also reduce your FBT (or eliminate it entirely) by:

- providing a benefit that the employee could have claimed as an income tax deduction, such as a training seminar (this is called the

'otherwise deductible rule')

- having employees contribute to the cost of a benefit, such as paying their own green fees at a corporate golf day
- giving employees a cash bonus instead of a benefit – the employee would then pay income tax on the bonus, instead of you paying FBT on the benefit.

Food or drink consumed on the premises

FBT does not apply to food or drink if it is provided to, and consumed by, current employees on your business premises on a working day.

It doesn't matter where the food or drink is prepared, as long as you provide it on your premises. A corporate box is not considered part of your business premises.

This exemption does not extend to associates of employees (such as partners). However, food or drink provided to associates may be exempt as a minor benefit. If you provide food or drink to both employees and their associates, and the food or drink for associates is not exempt, you can apportion the expenditure on a per head basis to work out your FBT.

There is no FBT for providing staff amenities on your business premises, such as coffee making facilities, vending machines and water dispensers.

Example: food and drink on business premises

A business employer provides alcoholic drinks and a buffet meal for 10 current employees and their 10 partners on business premises on a work day. The cost is $50 per head, or $1,000 in total.

The employer doesn't pay FBT for the food and drink provided to the:

- employees, because it is provided on a working day on business premises
- employees' partners, because the employer determines it is exempt as a minor benefit.

QC 71138

Common entertainment scenarios for business

Examples of how FBT applies to businesses for Christmas parties, recreation days, seminars and other events.

Last updated 12 January 2023

These scenarios apply to commercial businesses. There are different scenarios for income tax exempt bodies.

Christmas parties and gifts

If your business holds a Christmas party:

- on a working day, on your business premises, and only for your current employees, you don’t pay fringe benefits tax (FBT) for the food and drink
- off your business premises, or the party includes associates of employees (such as their partners), you don't pay FBT if the party is a minor benefit – that is, the cost for each person is less than $300 and it would be considered unreasonable to treat it as a fringe benefit
- that includes clients, you don't pay FBT for the costs relating to the clients.

If you give your employees a Christmas gift, you don't pay FBT if the value of the gift is less than $300 per person and it would be considered unreasonable to treat it as a fringe benefit.

If the Christmas party is not subject to FBT, you can't claim income tax deductions for the cost of the party.

Example: Christmas party on business premises

A company holds a Christmas lunch on its business premises on a working day.

- Employees, their partners and clients attend.
- The company provides food and drink, and taxi travel home.
- The cost per head is $125.

Entertainment is being provided

A party for employees, associates and clients is entertainment, because the purpose of the function is for the people attending to enjoy themselves.

Employees – no FBT, exemption applies

The employer doesn't pay FBT for the:

- food and drink for employees, because it is provided and consumed on a working day on the business premises
- taxi travel, because there is a specific FBT exemption for taxi travel directly to or from the workplace.

Associates – no FBT, exemption applies

The employer doesn't pay FBT for the food, drink and taxi travel provided to the employees' partners (associates), because it is a minor benefit – that is, it has a value of less than $300 and it would be unreasonable to treat it as a fringe benefit.

Clients – no FBT

There is no FBT on benefits provided to clients.

Income tax and GST credits

The employer can't claim an income tax deduction or GST credits for the food, drink or taxi travel provided for employees, associates or clients.

Gym membership

Example: gym membership

A conveyancing firm pays for a one-year gym membership for the company's director and each employee. The cost is $480 per person.

Entertainment is being provided

The gym membership is recreation entertainment.

Employees – FBT applies

FBT applies to the gym memberships for the employees. The minor benefits exemption doesn't apply, because the cost of the gym membership is $300 or more.

Director – FBT applies

The director is an employee of the company. Therefore FBT applies to the gym membership for the director.

Income tax and GST credits

The employer can claim:

- an income tax deduction and GST credits for the cost of the gym memberships
- an income tax deduction for the FBT paid.

Holiday

Example: holiday given as reward

A computer manufacturer offers a reward to employees of a retail computer store.

- The retailer agrees that the manufacturer can offer the reward to its employees.
- If an employee sells 200 computers in a month, they will receive a holiday consisting of 2 nights' accommodation at the beach and 2 tickets to an aquarium.
- The total value of each holiday package is $600.

Entertainment is being provided

- The holiday and tickets to the aquarium are recreation entertainment.

Employees – FBT applies

- FBT applies to the accommodation and tickets given to the employees who meet the sales target. The minor benefits exemption doesn't apply, because the value of the holiday package is $300 or more.

FBT liability – retailer

- The retailer, as the employer, is liable to pay the FBT as the benefits are being provided under an agreement with the manufacturer.

Income tax and GST credits

- The retailer can claim an income tax deduction for the FBT they pay.
- The manufacturer can claim an income tax deduction and GST credits for the cost of purchasing the accommodation and tickets.

Golf day

Example: golf day for employees, associates and clients

Paul, an employee, takes several clients and his partner to a corporate golf day paid for by his employer.

- The event is not held on a working day.
- Paul's employer gives him taxi vouchers to go from his home to pick up his clients and take them back after the event.
- The total cost is $320 per person.

Entertainment is being provided

The golf day is recreation entertainment. It is a social event and the purpose is for people to enjoy themselves.

Employees – FBT applies

FBT applies to the food, drink and taxi travel provided to Paul.

- The minor benefit exemption doesn't apply because the cost per person is $300 or more.
- The taxi travel exemption doesn't apply because Paul's trip did not begin or end at the workplace.

Associates – FBT applies

FBT applies to the food, drink and taxi travel provided to Paul's partner.

Clients – no FBT

There is no FBT on the food, drink, and taxi travel provided to clients.

Income tax and GST credits

The employer:

- can claim an income tax deduction and GST credits for the cost of providing the fringe benefits to the employee and his associate
- can claim an income tax deduction for any FBT paid
- can't claim an income tax deduction or GST credits for the entertainment provided to the clients.

Afternoon tea

Example: celebration afternoon tea on business premises

Anjelica is getting married. To celebrate, her company hosts an informal event on the business premises with drinks and finger food, and invites Anjelica's associates, work colleagues and clients. The cost is $25 per person.

Entertainment is being provided

The informal event is a social event and is therefore entertainment.

Employees – no FBT, exemption applies

Food and drink is exempt from FBT when consumed by employees on business premises on a working day.

Associates – no FBT, exemption applies

The food and drink provided to Anjelica's associates is exempt from FBT because it is a minor benefit – that is, it cost less than $300 per employee and it would be considered unreasonable to treat the benefit as a fringe benefit.

Clients – no FBT

There is no FBT on benefits provided to clients.

Income tax and GST credits

The employer can't claim an income tax deduction or GST credits for food or drink provided to the employees, their associates or clients.

Seminars

The 'otherwise deductible' rule may apply to food or drink provided at seminars.

This means you (as the employer) do not pay FBT on an expense your employee could have claimed as a deduction, had they paid for it themselves.

The otherwise deductible rule works like this:

- If the food or drink at a seminar does not amount to entertainment
  - then the registration fee would have been deductible in full and the employer does not pay FBT.

- If the food or drink at a seminar does amount to entertainment, and
  - is reasonably incidental to the employee attending a seminar that goes for at least 4 hours – the registration fee is deductible and the employer does not pay FBT

  - is not reasonably incidental to the employee attending a seminar that goes for at least 4 hours – only that proportion of the registration fee that does not relate to the food or drink would have been deductible, and the employer is liable to pay FBT on the remainder.

Meaning of 'seminar'

A seminar is:

- any training session, including a conference, convention, lecture, meeting, speech, question and answer session or educational course
- a planning day
  - at which employees discuss general policy issues relevant to the management of your business
  - conducted at an external premises available for conferences, training or seminars
- not a business meeting, where the main purpose of the meeting is to give or receive information, or discuss matters relating to the organisation
- not a marketing presentation, where the main purpose is to promote a business (or prospective business) or its products and services.

Meaning of 'reasonably incidental'

Food or drink is reasonably incidental to a seminar if it is:

- provided for sustenance because of the duration, time of day or location of the seminar
- provided immediately before, during or immediately following working sessions of the seminar
- available to all participants.

Duration of at least 4 hours

For the purposes of the otherwise deductible rule, the seminar must go for at least 4 hours.

The 4-hour period does not include any part of the seminar that occurs during a meal, or any breaks during the seminar for meals, rest or recreation.

Example: business planning day

An insurance company organises a planning day for its managers at a conference centre.

The company provides morning and afternoon tea and a 3-course lunch (excluding alcohol) at a cost of $125 per head.

Entertainment

The morning and afternoon tea are light meals and not considered entertainment.

The 3-course lunch would be elaborate and therefore considered to be entertainment, even though it is work related.

Employees – no FBT, exemption applies

The company doesn't pay FBT for the seminar, including the 3-course lunch, because it is a minor benefit – that is, it has a value of less than $300 and it would be considered unreasonable to treat it as a fringe benefit.

Income tax and GST credits

The lunch is entertainment and is exempt from FBT under the minor benefits exemption. Therefore the employer can't claim an income tax deduction or GST credits for the lunch.

The employer can claim a deduction for the morning and afternoon teas, which are not entertainment. The employer will need to determine how much of the $125 cost is attributable to the morning and afternoon teas.

QC 71139

FBT and entertainment for not-for-profit and government organisations

Tax-exempt body entertainment fringe benefits, exemptions and common scenarios for not-for-profits and government.

Last updated 12 January 2023

Tax-exempt body entertainment fringe benefits
Find out about a special category of fringe benefit called a 'tax-exempt body entertainment fringe benefit'.

Entertainment exemptions and reductions for not-for-profit and government organisations
When your organisation may be exempt from FBT on food, drink and recreation, and how to reduce your FBT.

Common entertainment scenarios for income tax exempt bodies
How FBT applies to not-for-profits and government for Christmas parties, staff meals and other entertainment events.

How to work out FBT on entertainment
Use these steps to work out the FBT on food, drink and recreation you provide to employees.

Webinar: FBT on entertainment for not-for-profit and government organisations

Media: NFP and government employers and FBT: what happens when you provide entertainment (Webinar recording) https://tv.ato.gov.au/ato-tv/media?v=bd1bdiunfghtpw (**Duration:** 45:13)

Tax-exempt body entertainment fringe benefits

Find out about a special category of fringe benefit called a 'tax-exempt body entertainment fringe benefit'.

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QC 71140

Tax-exempt body entertainment fringe benefits

Find out about a special category of fringe benefit called a 'tax-exempt body entertainment fringe benefit'.

Last updated 6 March 2025

Special category of fringe benefit

There is a special category of fringe benefit called a 'tax-exempt body entertainment fringe benefit'.

This type of fringe benefit has fewer exemptions than other entertainment fringe benefits. For example, a Christmas party on business premises would usually be an exempt benefit when provided by a commercial business, but it's a taxable benefit when provided by a tax-exempt body.

What a tax-exempt body entertainment fringe benefit is

A tax-exempt body entertainment fringe benefit is entertainment that:

- is provided by a tax exempt body
- is provided to employees or their associates (such as partners)
- wouldn't be deductible for income tax purposes if your organisation paid income tax.

Definition of a tax-exempt body

For FBT purposes, your organisation is a tax-exempt body if its income is either:

- wholly exempt from income tax
- partially exempt from income tax (for example, a club that earns income from both members and non-members).

Most not-for-profit organisations are tax exempt bodies for the purposes of entertainment fringe benefits.

Deductibility for income tax purposes

To determine if the expenditure on entertainment would be deductible, ask yourself: 'If my organisation was required to pay income tax, would it be entitled to an income tax deduction for this expenditure?'

You apply this test to the expenditure itself, not the fringe benefit that may arise from it. Ignore that taxable entities may be entitled to a deduction for fringe benefits *because* the benefits are subject to fringe benefits tax (FBT).

Entertainment that meets the deductibility test

Some entertainment expenses would be deductible if your organisation was required to pay income tax, and therefore **aren't** tax-exempt body entertainment fringe benefits. These include:

- the cost of meals provided to employees in a staff cafeteria (not including social functions)
- the cost of meals at certain business seminars
- meals on business travel overnight.

Records you need to keep

For entertainment fringe benefits, you must keep records that:

- show how you calculated the taxable value of the tax-exempt body entertainment fringe benefit
- support any exemption or concession you used.

For example, when record keeping for FBT, you should record:

- the date you provided the entertainment
- whether the recipient of the entertainment is an employee, associate of an employee or another person
- the cost of the entertainment
- the kind of entertainment provided
- where the entertainment is provided.

QC 71141

Entertainment exemptions and reductions for not-for-profit and government organisations

When your organisation may be exempt from FBT on food, drink and recreation, and how to reduce your FBT.

Last updated 12 January 2023

Food or drink provided on the premises

Food or drink that is not a tax-exempt body entertainment fringe benefit is exempt from fringe benefits tax (FBT) if you provide it:

- to current employees
- on your business premises

- on a working day.

The food or drink does not have to be prepared on your premises, as long as it is consumed on your premises.

However, FBT applies to food and drink provided:

- as part of a social function for staff (such as a Christmas party) – in this case it will generally be a tax-exempt body entertainment fringe benefit
- to associates of employees (such as their partners). If you provide food and drink to both employees and their associates, you can apportion the expenditure on a per head basis to work out your FBT.

To find out how these rules apply in specific situations, such as Christmas parties, see Common entertainment scenarios for income tax exempt bodies.

Meals provided by FBT-exempt organisations

You don't pay FBT for meal entertainment if you are a:

- public benevolent institution
- health promotion charity
- public or not-for-profit hospital
- public ambulance service.

There is a limit on this exemption if you provide the meal entertainment as part of a salary packaging arrangement. In this case, it is exempt only if the grossed-up value of the meal entertainment (and any entertainment facility leasing expenses) included in the arrangement is $5,000 or less.

Minor benefits

If you provide a tax-exempt body entertainment fringe benefit, it is exempt from FBT as a minor benefit if it meets these 3 conditions:

1. The benefit has a taxable value of less than $300.

2. It would be considered unreasonable to treat the benefit as a fringe benefit.
3. The benefit is either:
    - incidental to the provision of entertainment to outsiders, and does not consist of a meal other than light refreshments, or
    - provided as part of a function held on your business premises solely to recognise the special work achievements of an employee. In this case the exemption applies only to the employee in question and their associates.

If you provide an entertainment benefit that is *not* a tax-exempt body entertainment fringe benefit, it only needs to meet conditions 1 and 2 to qualify for the minor benefit exemption.

Example: function to recognise special achievements of an employee

Michelle, an employee of a bowls club, is awarded 'Best client service staff member of the year' by the state clubs association. Michelle's bowls club hosts a dinner to celebrate the presentation of the award.

- The bowls club holds the dinner on its premises.
- The cost per head is $60.
- Staff from Michelle's bowls club attend the dinner, along with Michelle and her husband, staff from neighbouring clubs, and representatives from the state clubs association (who present the award).

The minor benefits exemption applies to Michelle and her husband, but not to the other employees of the bowls club.

Example: theatre tickets

The manager of a non-profit child care centre gives Graham, an employee, two theatre tickets to a popular show. The tickets

have a total value of $210.

The theatre tickets are classified as recreation and are therefore a tax-exempt body entertainment fringe benefit.

The benefit is not incidental to entertaining outsiders, and is not part of a function on business premises solely to recognise an employee's work achievement.

Therefore the minor benefit exemption does not apply.

Taxi travel

You don't pay FBT for providing taxi travel for an employee, if it is a single trip beginning or ending at the employee's place of work.

Reducing your FBT

You can reduce your FBT (or eliminate it entirely) by:

- giving employees a cash bonus instead of a benefit (the employee would then pay income tax on the bonus, instead of you paying FBT on the benefit)
- providing a benefit that the employee could have claimed as an income tax deduction, had they paid for it themselves (this is called the 'otherwise deductible rule').

Example: benefit deductible for employee

Mary is the Events and Culture Manager of the Blesh City Council. She is required to preview a stage play in another city for possible inclusion in the council's theatre program for the coming year. The council pays the travelling and entry costs for Mary to attend the play.

If Mary had paid to attend the play, it would have been a deductible expense for her.

Under the 'otherwise deductible rule', the Blesh City Council is not required to pay FBT on the benefit it has provided to its employee.

Employee contributions

If a benefit is not a tax-exempt body entertainment fringe benefit, you can reduce its taxable value by having employees contribute to the cost.

If a benefit is a tax-exempt body entertainment fringe benefit:

- You cannot reduce the value of the benefit by having employee contributions paid to you.
- If a third party provides the benefit, and your employee pays a contribution directly to that third party, the value of the benefit is reduced by the amount of the employee contribution, provided you are invoiced for the net amount.

GST and entertainment

If you pay FBT on entertainment, you can claim GST credits for the cost of providing the entertainment.

QC 71142

Common entertainment scenarios for income tax exempt bodies

How FBT applies to not-for-profits and government for Christmas parties, staff meals and other entertainment events.

Last updated 12 January 2023

Who can use these scenarios

These scenarios apply to income tax exempt bodies. For fringe benefits tax (FBT) purposes, a not-for-profit or government organisation is an income tax exempt body if its income is either:

- wholly exempt from income tax

- partially exempt from income tax (for example, a club that earns income from both members and non-members).

There are different scenarios for commercial businesses.

Meal entertainment quick reference

This list summarises the FBT implications when an income tax exempt body provides food and drink, either on or off the organisation's premises.

Staff social function, such as a Christmas party

- meal entertainment: yes
- employees: FBT applies
- associates: FBT applies
- clients: FBT does not apply

In-house dining facility – not at a social function

- meal entertainment: no
- employees: FBT does not apply
- associates: FBT applies
- clients: FBT does not apply

In-house dining facility – at a social function

- meal entertainment: yes
- employees: FBT applies
- associates: FBT applies
- clients: FBT does not apply

Morning and afternoon teas and light lunches

- meal entertainment: no
- employees: FBT does not apply
- associates: FBT applies

- clients: FBT does not apply

Employee on business travel overnight

The following apply whether the employee is dining by themselves or with another employee, an employee of an associated entity or a client who is also on business travel overnight, and regardless of who pays:

- Meal entertainment: no
- employees: FBT does not apply
- associates: FBT applies
- clients: FBT does not apply

Christmas parties and gifts

If you hold a staff Christmas party it is a tax-exempt body entertainment fringe benefit.

- FBT applies to the cost of providing the party for employees and their associates (such as their partners).
- You don't pay FBT for any clients who attend.

The minor benefits exemption is available in limited circumstances, such as where you host a Christmas morning tea for your sponsors, and the entertainment provided to employees is incidental to entertaining the sponsors.

If you give an employee a Christmas gift or hamper, it is generally exempt from FBT if it is a minor benefit of less than $300.

Example: Christmas party on premises

A football club hosts a staff Christmas party.

- The party is held on the club's premises.
- Employees of the football club and their partners attend.
- The club provides a buffet dinner and alcoholic and non-alcoholic drinks.

Entertainment is being provided

A Christmas party for employees and their associates is entertainment, whether the party is held on the organisation's premises or at another venue. Food and drink have been provided in a social situation where the purpose of the function is for employees to enjoy themselves.

Employees and associates – FBT applies

The Christmas party is a tax-exempt body entertainment fringe benefit. The minor benefits exemption does not apply because the entertainment is not incidental to entertaining outsiders. FBT applies to the meals and drinks provided to the employees and their associates.

GST credits

The football club can claim GST credits for the cost of the Christmas party.

Functions for outsiders

Example: thank you party for sponsors

An arts society hosts an end of financial year party to thank sponsors who have supported them.

- Invited sponsors, senior employees and their partners attend the party.
- The arts society holds the party on its premises after close of business.
- The arts society provides finger food and drinks, at a cost of $25 per head.

Entertainment is being provided

Providing food and drink in this way is entertainment.

Employees and associates – no FBT, exemption applies

For the employees and their associates the party is a tax-exempt body entertainment fringe benefit. However, the minor benefits exemption applies, because the entertainment was incidental to

entertaining outsiders. The arts society is not required to pay FBT.

Sponsors – no FBT

There is no FBT on benefits provided to outsiders.

GST credits

The arts society cannot claim GST credits for the food and drink provided to employees, their associates or sponsors.

Functions hosted by outsiders

Example: government employees at a private company product launch

Employees of a state government department attend a product launch hosted by ACO, a private company.

- ACO holds the launch on its premises.
- Finger food and alcohol are provided during the launch.

The government department employees had helped ACO develop and market the new product. Attendance at these types of functions is included in their duty statements. They are there to support the launch of the product, market the department and answer questions from other businesses about how the state government can help them.

The main focus of the evening is the launch of the product, not the marketing of the state government department.

Entertainment is being provided

Even though the department's staff are expected to attend the business function, it may still be considered entertainment.

To determine if entertainment has been provided, the state government department needs to consider:

- **why** the food or drink is being provided – it is for attendees at the launch to enjoy themselves

- **what** type of food or drink is being provided – the function includes alcohol, which indicates that entertainment is being provided
- **when** the food or drink is being provided – it is outside of normal business hours
- **where** the food or drink is being provided – it is at ACO's business premises.

Employees – FBT applies

The minor benefits exemption does not apply because the entertainment is not incidental to entertaining outsiders. Even though the department's employees are required to attend as part of their duties, the main focus of the evening is the product launch.

Who pays the FBT

The department is liable to pay the FBT on the value of the entertainment provided to their employees at the launch. ACO provided the entertainment to the government employees under an arrangement with the state government.

GST credits

The state government department cannot claim GST credits.

Working lunches

Example: working lunch on premises

A group of employees at a conservation association are working on a project to develop a new fundraising campaign. They call a planning meeting to discuss timeframes and finance issues.

Due to a tight schedule, pizza and soft drinks are ordered and delivered to their offices in the association's headquarters for a working lunch. The conservation association pays for the pizza and soft drinks.

Entertainment is not being provided

A light meal without alcohol, ordered in for lunch while working on a project with a specific deadline, is not entertainment.

Employees – no FBT, exemption applies

The conservation association doesn't pay FBT because the food and drink is consumed by employees on a working day at the work premises. It is an exempt property benefit.

GST credits

The conservation association can claim GST credits for the food and drink provided.

Morning and afternoon teas

Example: morning tea to celebrate opening of new office

A relationship counselling organisation holds a morning tea to celebrate the opening of its new premises.

- The morning tea is provided on the new premises on a working day and consists of biscuits, cake, coffee and soft drink.
- Attendees include employees and invited guests.

Entertainment is not being provided

Providing a morning tea of biscuits, cake, tea, coffee and soft drink is not entertainment.

Employees – no FBT, exemption applies

The property benefits exemption applies for the employees because the food and drink is consumed on a working day at the work premises.

Invited guests – no FBT

There is no FBT on benefits provided to the invited guests.

GST credits

The employer can claim GST credits for the food and drink provided to its employees and invited guests.

Meals for employees working in hospitality

Example: meals provided to employees at an RSL club

The staff at a large RSL club have shifts at different times of the day and night, and many work part time.

- The club's dining facilities include a large buffet restaurant, and another dining area that serves light meals and beverages from 10:00 am to midnight.
- The club provides employees with lunch from the dining area or dinner from the buffet restaurant during their rostered work hours.
- The RSL club is partially exempt from income tax as it does not pay tax on income received from members. This means the RSL club is an income tax exempt body for the purposes of entertainment-related fringe benefits.

Entertainment is being provided

Providing employees with meals from the buffet is entertainment.

As meals provided in a dining facility to employees are usually income tax deductible, the light meals from the dining room are not a tax-exempt body entertainment fringe benefit. Therefore they are an exempt property benefit.

Employees – no FBT, exemption applies

The property benefits exemption applies because the meals are being provided to current employees on a working day on business premises.

GST credits

The RSL club can claim GST credits for the food and drink.

Recreational activities

Example: ten-pin bowling competition

Employees of a not-for-profit educational institution participate in a ten-pin bowling competition.

- The educational institution pays for the cost of the games, shoe hire and light refreshments at the bowling alley.
- The educational institution is a registered charity and is endorsed with income tax exemption by the ATO. This means the educational institution is an income tax exempt body for the purposes of entertainment-related fringe benefits.

Entertainment is being provided

Paying for employees to play ten-pin bowling is recreational entertainment.

The activity would not be tax deductible for the employer (if it was an income tax paying body), so it is a tax-exempt body entertainment fringe benefit.

Employees – FBT applies

The minor benefits exemption does not apply because the entertainment is not incidental to the provision of entertainment to outsiders.

GST credits

The educational institution can claim GST credits for the cost of their employees participating in the competition.

Example: overnight team building activity for government employees

A state government department participates in interdepartmental games each year.

- Employees and their families from various state and territory government departments attend.

- The games are held over 2 weekdays at stadiums owned by private companies.
- The department pays for entry fees, food, drink, accommodation, and travel to and from the games. The food and drink includes 3-course meals, and alcohol at dinner.
- Physical fitness is a requirement of employment for the employees.

Entertainment is being provided

The fee to attend the games, accommodation, and travel to and from the games, is recreational entertainment.

The food and drink is also entertainment.

Employees and their families – FBT applies

- Food and drink: the minor benefits exemption does not apply because the entertainment was not incidental to entertaining outsiders.
- Fee to attend games, accommodation and travel to games: these costs are recreational entertainment and are not exempt.

Who pays the FBT

Each government department is liable to pay the FBT on the recreational entertainment.

The FBT on the food and drink can be paid by one government department or by each government department.

GST credits

Each government department can claim GST credits for the value of the entertainment provided.

Seminars

The 'otherwise deductible' rule may apply to food or drink provided at seminars.

This means you (as the employer) do not pay FBT on an expense your employee could have claimed as a deduction, had they paid for it

themselves.

It works like this:

- If the food or drink at a seminar does not amount to entertainment
  - then the registration fee would have been deductible in full and the employer does not pay FBT.

- If the food or drink at a seminar does amount to entertainment, and
  - is reasonably incidental to the employee attending a seminar that goes for at least 4 hours – the registration fee is deductible and the employer does not pay FBT
  - is not reasonably incidental to the employee attending a seminar that goes for at least 4 hours – only that proportion of the registration fee that does not relate to the food or drink would have been deductible, and the employer pays FBT on the remainder.

Meaning of 'seminar'

A seminar is:

- any training session, including a conference, convention, lecture, meeting, speech, question and answer session or educational course
- a planning day
  - at which employees discuss general policy issues relevant to the management of your business
  - conducted at an external premises available for conferences, training or seminars

- not a business meeting, where the main purpose of the meeting is to give or receive information, or discuss matters relating to the organisation
- not a marketing presentation, where the main purpose is to promote a business (or prospective business) or its products and services.

Meaning of 'reasonably incidental'

Food or drink is reasonably incidental to a seminar if it is:

- provided for sustenance because of the duration, time of day or location of the seminar
- provided immediately before, during or immediately following working sessions of the seminar
- available to all participants.

Duration of at least 4 hours

For the purposes of the otherwise deductible rule, the seminar must go for at least 4 hours.

The 4-hour period does not include any part of the seminar that occurs during a meal, or any breaks during the seminar for meals, rest or recreation.

Example: seminar includes food and drink

A not-for-profit vocational guidance organisation pays for an employee to attend a seminar about adult learning trends.

- The seminar is held from 9.00 am to 4.00 pm in a city hotel.
- Morning and afternoon tea and lunch are provided during the day.

The food and drink does not amount to entertainment. It is a property fringe benefit.

The full cost of attending the seminar would have been income tax deductible to the employee, had they paid for it. Therefore the taxable value of the property fringe benefit can be reduced to nil under the 'otherwise deductible' rule.

The employer is not required to pay FBT.

QC 71143

Calculating the taxable value of entertainment-related benefits

Use the actual value or meal entertainment methods to work out the taxable value of entertainment-related benefits.

Last updated 6 March 2025

Choosing a calculation method

To work out the fringe benefits tax (FBT) on entertainment-related benefits you've provided, you first need to know the taxable value of the benefits.

You can use the actual value of the benefits – that is, the amount you paid. If you provided benefits to employees and others, you must apportion the cost of the benefits.

If the entertainment does not include recreation, you can choose to use meal entertainment valuation rules to work out the taxable value.

Once you know the taxable value of the benefits, you can calculate, report and pay your FBT.

Actual value method

Using this method, the taxable value of food, drink or recreation, and any associated accommodation or travel, is the actual amount you pay for the benefit of the employee.

If you provide entertainment to employees and non-employees (such as clients), only the entertainment for employees and their associates is subject to FBT. If you can't easily work out the actual expenditure on employees and their associates, you can apportion the expenditure on a per head basis.

Example: apportioning per head

Mary entertains 3 of her employer's clients at a local restaurant. Mary pays and is reimbursed for the full cost of the meals.

Mary's employer works out the taxable value of the benefit using the actual value method on a per-head basis. Therefore the taxable value of the benefit is 25% of the amount reimbursed to Mary.

Hiring or leasing entertainment facilities

If you hire or lease entertainment facilities (such as a corporate box, function room or boat), you can calculate the taxable value of the recreational activity using either the:

- cost of the activity
- 50:50 split method – the taxable value is 50% of your total expenditure on entertainment facility leasing expenses for all people, whether they're employees, clients or others, during the FBT year.

If you provide a benefit under a salary packaging arrangement, you must use the actual cost.

Meal entertainment valuation methods

If entertainment doesn't include recreation, you can classify it as 'meal entertainment' and use one of the following methods to estimate the taxable value of food, drink and any associated accommodation or travel.

50:50 split method

Using the 50:50 split method, the taxable value is 50% of your total expenditure on all meal entertainment for all people (irrespective of whether they're employees, clients or others) during the FBT year.

12-week method

To use the 12-week method:

1. keep a register of meal entertainment, including costs and recipients, for a continuous period of 12 weeks

2. work out the percentage of your expenditure on employees and their associates
3. the taxable value of meal entertainment is this percentage of your total expenditure on all meal entertainment for all people during the FBT year.

Using either method

When calculating the taxable value of a meal entertainment fringe benefit, both of these methods are based on your expenditure on **all** meal entertainment for **all** people during the FBT year. This includes expenditure that may otherwise be exempt from FBT or not normally subject to FBT. For example, you include expenditure on:

- food and drink provided to employees on your business premises
- meals for clients.

If you choose to use one of the meal entertainment valuation methods:

- you must use if for all meal entertainment you provide during the FBT year
- you must make your choice no later than the day your FBT return is due (or, if you don't have to lodge, by 21 May)
- you don't need to notify us – your business records are sufficient evidence of your choice.

You can't use these methods if the entertainment is provided under a salary packaging arrangement.

Benefits provided by associates and third parties

If a benefit is provided to your employees:

- by an associate of your business or organisation, your associate must tell you the value of the benefits by 21 April
- under an arrangement with a third party, you must take reasonable steps to determine the value of the benefit.

Records you need to keep

When record keeping for FBT, you must keep records that:

- show how you calculated the taxable value of the entertainment related fringe benefit
- support any exemption or concession you used.

For example, you should record:

- the date you provided the entertainment
- whether the recipient is an employee, associate of the employee or another person
- the cost of the entertainment
- the kind of entertainment provided
- where the entertainment is provided.

QC 71144

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If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

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