



***GSTA TPP 051 - Goods and services tax: To what extent is an acquisition creditable if an employer uses the 50/50 split method for entertainment fringe benefits?***

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 This document has changed over time. This is a consolidated version of the ruling which was published on *14 June 2005*



## Goods and Services Tax Advice

### **Goods and services tax: To what extent is an acquisition creditable if an employer uses the 50/50 split method for entertainment fringe benefits?**

#### **Preamble**

*This document is a ruling for the purposes of section 37 of the Taxation Administration Act 1953. It illustrates the principles contained in **Goods and Services Tax Ruling GSTR 2001/3 on how GST applies to supplies of fringe benefits**. You can rely on the information presented in this document, which provides advice on the operation of the GST system.*

#### **Answer**

Fifty per cent of the expenditure is creditable if an employer uses the 50/50 split method for determining the taxable value of their entertainment fringe benefits.

#### **Explanation**

In most cases, under Division 69 of the GST Act, an entity is not entitled to claim input tax credits for acquisitions to the extent that the entity cannot deduct the expense for income tax. If an employer elects to use the 50/50 split method for determining the taxable value of their entertainment fringe benefits, only 50% of the entertainment expenditure is deductible under sections 51AEA to 51AEC of the ITAA 1936. GSTR 2001/3 explains this in more detail as follows:

102. Where you have incurred meal entertainment expenses or entertainment facility leasing expenses, you may elect to apply Division 9A of Part III or section 152B of the FBTAA in working out your fringe benefits tax liability for the FBT year. Where you make this election, the taxable value of a meal entertainment benefit can be calculated by using either a 50/50 split or by a 12 week register method. You can also elect to use the 50/50 split method to calculate the taxable value of your entertainment facility leasing expenses.

103. Where the FBT election is made, the employer will be entitled to a part deduction for the expenses under section 51AEA, 51AEB or 51AEC of the ITAA 1936.

104. For GST purposes, an acquisition or importation of goods that constitutes meal entertainment or entertainment facility leasing will only be available for an input tax credit to the extent that it is deductible under sections 51AEA, 51AEB, and 51AEC of the ITAA 1936.

...

#### *Example 20*

*107. Xenia Ltd incurs substantial meal entertainment expenses and usually calculates its FBT taxable value by using the 50/50 split method. It accounts for GST on a quarterly basis. It makes a GST election from 1 October 2000. In that tax period Xenia incurred \$5,500 meal entertainment expenses as taxable supplies to it. The amount of potential input tax credits that could be claimed is 1/11 of \$5,500, or \$500. As it has made the 50/50 split election under the GST Act, it is able to claim \$250 input tax credits in respect of the acquisitions relating to meal entertainment (\$500 (50%)).*

108. If you do not make a GST election you can only claim input tax credits for meal entertainment and entertainment leasing expenses to the extent it relates to benefits provided to an employee (that is, to the extent deductible under Division 32 of the ITAA).

#### **Application of this GST Advice**

This Advice is based on GSTR 2001/3. It explains our view of the law as it applied from 1 July 2000. You can rely on this Advice on and from its date of issue for the purposes of section 37 of the *Taxation Administration Act 1953*. Goods and Services Tax Ruling GSTR 1999/1 explains the GST rulings system and our view of when you can rely on our interpretation of the law in GST public and private rulings.

If this Advice conflicts with a previous private ruling that you have obtained, this public ruling prevails. However, if you have relied on a private ruling, you are protected in respect of what you have done up to the date of issue of this public ruling. This means that if you have underpaid an amount of GST, you are not liable for the shortfall prior to the date of issue of this later ruling. Similarly, you are not liable to repay an amount overpaid by the Commissioner as a refund.

**Commissioner of Taxation**  
Date

**Subject references:**

fringe benefits  
taxable value  
50/50 split election  
input tax credit  
creditable

**Legislative references:**

ANTS(GST)A 1999 Div 69  
ITAA 1936 51AEA to 51AEC  
TAA 1953 37

**Other references:**

Fringe benefits tax - the interaction between FBT and GST (Nat 3516)

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**ATO references**

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