


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?

 This cover sheet is provided for information only. It does not form part of *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?*

 This document has changed over time. This is a consolidated version of the ruling which was published on *31 October 2012*



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 was published prior to 1 July 2010 and was a public ruling for the purposes of former section 37 of the **Taxation Administration Act 1953** and former section 105-60 of Schedule 1 to the **Taxation Administration Act 1953**.*

*From 1 July 2010, this document is taken to be a public ruling under Division 358 of Schedule 1 to the **Taxation Administration Act 1953**.*

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

[Note: *This is a consolidated version of this document. Refer to the Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.*]

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).

Related Rulings/Determinations/GST Advice:

TR 2006/10; GSTR 2001/3

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 Sch 1 Div 358

Other references:

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

ATO references

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Application of this GST Advice

This Advice applies [to tax periods commencing] both before and after its date of issue. However, this Advice will not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of this Advice (see paragraphs 75 and 76 of Taxation Ruling TR 2006/10).

Commissioner of Taxation

14 June 2005