APPLYING THE MINOR & INFREQUENT BENEFITS EXEMPTIONS

COMMON MISTAKES

Many employers are unknowingly falling foul of the FBT regime through an incorrect interpretation of the **minor and infrequent exemption allowed for benefits** that cost less than $300 (incl. GST). The most prevalent area where employers find themselves in trouble when applying the minor and infrequent exemption is in relation to the provision of **'Meal Entertainment'**. Meal Entertainment applies predominantly to the provision of food or drinks to employees that are not consumed on the employer's business premises during ordinary work hours. Where the **value of the food or drink is less than $300 per person** the exemption can be claimed, provided the employee **only receives this benefit infrequently throughout the year. Importantly, to access this exemption the employer must value meal entertainment using the Actual Method. The exemption is not available if the employer values meal entertainment using the 50/50 Method.**

Working out whether a meal entertainment benefit is minor is straightforward – you **just need to check the receipt**. Where employers find themselves in trouble is **working out if the benefit is infrequent enough** to satisfy that condition.

As a guide, we recommend that you only provide meal entertainment benefits for an employee **no more than 5 to 10 times in a given FBT year**. Once the benefit you are providing exceeds the infrequent condition, all benefits of that type for that employee become subject to FBT. The ATO many years ago gave guidance that food and drink under $15 per employee could be viewed as sustenance and would not fall under the FBT rules. Perhaps $25 per employee may be an appropriate amount now!

Taking employees out of the office to enjoy a coffee may be a form of Meal Entertainment. If you do this too often throughout the year, an employer may find themselves subject to FBT on all the Meal Entertainment benefits they provide to that employee (including any year end social functions). Failure to maintain an appropriate register of exactly which employees are receiving benefits could result in all meal entertainment benefits becoming subject to FBT.

The ATO previously gave guidance that food and drink under $15 per employee could be viewed as sustenance and would not fall under the FBT rules. Perhaps $25 per employee may be an appropriate amount now!

The ATO has signalled that there will be an increased focus on FBT this year so if you would like to ensure your business is compliant, please contact your advisor at Hill Accounting Services as soon as possible.

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