



Monthly Information Newsletter – Tax & Super

August 2023

Gifting to employees

Some employers, especially at Christmas time or for birthdays, give small gifts to their employees or the employee's associates (i.e. spouses). These gifts typically take the form of bottles of wine, movie tickets, gift vouchers etc. The tax treatment of these gifts from an employer standpoint, depends upon a range of factors including:

- To whom the gifts are provided (e.g. employees or clients?)
- Whether the gifts constitute entertainment
- The dollar value of the gifts, and
- The frequency with which they are provided.

Use the following steps as a guide:

1. Does the gift constitute entertainment?

- If yes, go to 2
- If no, go to 3

(gifts that constitute entertainment include: tickets to the movies/plays/theatre, restaurant meals, holiday airline tickets, admission tickets to amusement parks etc.)

(gifts that do not constitute entertainment include: Christmas hampers, bottles of alcohol, gift vouchers, perfume, flowers, pen sets)

2. Does it cost less than \$300 (GST-inclusive) and is provided infrequently?

- If yes...no FBT, no deduction, no GST credit
- If no...FBT applies, is deductible and can claim any GST

3. Does it cost less than \$300 (GST-inclusive) and is provided frequently?

- If yes...no FBT, deduction can be claimed as can any GST credits
- If no...FBT applies, deduction can be claimed as can any GST credits

All told, from a tax standpoint it's best to buy employees and their associates non-entertainment gifts that cost less than \$300. That way, no FBT is payable yet a deduction and GST credits can be claimed. Alternatively, you can put the tax burden back on the employee and pay them a cash bonus, in which case the amount will be assessable to the employee, and deductible to the employer.

Touch base with us if you require further clarification.

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