

### Your Partner In Business

Welcome to the October edition of the CPD Accountants newsletter.

## YEAR END PARTIES AND OTHER STAFF EVENTS

With the end of the year looming ever closer and the Christmas/New Year break on the way, many businesses will be planning to reward staff with one or more celebrations, parties or events. As a business owner and employer, it is important to consider the possible Fringe Benefits Tax (FBT) and income tax implications of providing your employees and clients with entertainment, including Christmas parties.

Under the Tax Act, employers must choose how they calculate their FBT entertainment liability and most use either the actual method or the 50/50 method. Under the actual method, entertainment is normally split up between employees (and their families) and non-employees such as clients and suppliers.

Expenditure on employees is liable to FBT and is therefore deductible. Expenditure on non-employees is not liable to FBT, and is **not** tax deductible.

### Using the 50/50 method instead?

Rather than apportion entertainment expenditure between staff, associates and business clients, many employers choose to use the more simple 50/50 method. Under this method, (irrespective of where the party is held or who attends) – 50% of the total expenditure is subject to FBT and 50% is tax deductible.

However, some traps must be considered, such as:

- even if the function is held on the employer's premises – food and drink provided to employees is not exempt from FBT;
- the minor benefit exemption cannot apply;
- the taxi travel exemption cannot apply.

### Example: A Melbourne Cup party

An employer holds a Melbourne Cup party for its

employees and their spouses. The cost of food and drink per person is \$250, and no other benefits are provided.

### If the actual method is used:

For employees attending on their own or with their spouse – no FBT is payable (ie. the per head cost is less than \$300) and no tax deduction will be allowed.

### If the 50/50 method is used:

50% of the total expenditure is subject to FBT and is tax deductible.

Please note that this is only a brief overview of one possible example. If you have any questions or concerns about this topic that may affect your business, please contact your Business Services Manager for more detailed advice.

*Information provided by NTAA.*



**We are happy to announce the release of our new Client Portal. The Portal is an easy-to-use upload/download tool that will allow you to quickly and easily receive important documents from us via the internet, as well as enabling you to send documents and data files to us. We are currently in the process of setting up Client Portal accounts on an 'as needs' basis. If, however, you would like your access set up sooner, please contact Jessica Harney on 07 3245 9966.**

## CONTRACTING THROUGH YOUR COMPANY OR TRUST – CAN YOU MAKE A CLAIM FOR YOUR PARTNER’S WAGES AND SUPER IN YOUR TAX RETURN?

If you are a contractor providing services through a company, trust or sole trader, it is very important that you look closely at what services you provide to clients, and how those services are administered. Can you allocate wages and super to a spouse or partner where you contract out your services? Not in all cases, especially if it's really your own labour and knowledge you're supplying rather than machinery or goods and services.

This year, a tax case examined the situation where an IT specialist provided services through a company. The ATO claimed that all the income should go to the IT Contractor, and no tax deduction could be claimed for a spouse or partner to provide administration and/or bookkeeping services. The client claimed they passed the Results Test for Personal Services, meaning that they could do this because they had to produce a particular result, rather than being paid directly for their time. However, in this case, most of the services were provided through a labour hire firm with the taxpayer being required to submit weekly timesheets for approval. The result was that the taxpayer had to allocate all the profits from the company to the IT specialist, and incurred extra tax plus a 25% penalty. [Park v Commissioner of Taxation [2011] AATA 567].

If you believe your business may have an issue in this area, please contact your Business Services Manager for advice.

### FUEL TAX CREDIT RATE CHANGE FOR HEAVY VEHICLES

The ATO advised that on 1 July 2011 the fuel tax credit rate for heavy vehicles that use taxable fuel such as diesel or petrol, and travel on public roads, was reduced to **15.043** cents per litre. This is due to an increase in the road user charge.

A heavy vehicle is either of the following:

- a vehicle with a gross vehicle mass (GVM) more than 4.5 tonne
- a diesel vehicle acquired before 1 July 2006 with a GVM equal to 4.5 tonnes or more

For more information, visit:

<http://www.ato.gov.au/businesses/content.aspx?doc=/content/00174722.htm>

### QUOTE OF THE MONTH

"I'm convinced that about half of what separates the successful entrepreneurs from the non-successful ones is pure perseverance."  
*Steve Jobs*

### GST CHECKLIST FOR PROPERTY PROFESSIONALS

The ATO has recently released a checklist to assist property professionals, including solicitors and property conveyancers, to correctly account for goods and services tax (GST) when preparing contracts and the issuing sales contracts, and issuing tax invoices relating to the sale of real property, including:

- Land and buildings
- An interest in land
- Rights over land
- A licence to occupy land

The factsheet also explains a number of



the key features of the GST regime relating to the sale of property as well as outlining the conditions and documentation that must be satisfied in order to apply various concessions under the GST rules such as the margin scheme and the going concern rules.

For more information, visit:

<http://www.ato.gov.au/businesses/content.aspx?doc=/content/00292381.htm>

If there are any topics you are specifically interested in reading about, please contact us on [newsletter@cpdaccountants.com.au](mailto:newsletter@cpdaccountants.com.au) and we will do our best to include these topics in future issues.

**Please Note:** Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.