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Festive Season Tax & GST Guide

A comprehensive reference for Australian business owners and accountants navigating tax, GST, and FBT rules during the holiday season.

Executive Summary

As the holiday season approaches, many Australian businesses incur significant costs for client entertainment, staff functions, and gifts. Understanding the intricacies of **GST**, **FBT (Fringe Benefits Tax)**, and **tax deductibility** rules is essential for compliance and maximising allowable claims.

This guide provides a quick reference for common festive season scenarios, helping you navigate the complexities of Australian tax law. Whether you're planning a Christmas party, purchasing client gifts, or arranging corporate entertainment, this cheat sheet ensures you stay compliant whilst optimising your tax position.

Tax Deductibility

Know what qualifies

GST Rules

Claim correctly

FBT Implications

Understand FBT exemptions

Quick Reference Matrix

Understanding the treatment of festive expenses across three key areas: tax deductibility, FBT implications, and GST credits.

Scenario	Tax Deductibility	FBT Implications	GST Credit Claimable?
Gifts to Clients	✓ Deductible	N/A (Generally)	✓ Yes (If tax invoice held)
Gifts to Employees	✓ Deductible	Subject to FBT (Unless Minor Benefit Exemption applies)	✓ Yes (If FBT paid or exempt)
Client Entertainment	✗ Not Deductible	N/A (Generally)	✗ No
Employee Entertainment	✗ Not Deductible	Subject to FBT (Unless Minor Benefit Exemption applies)	✓ Yes (If FBT payable) / ✗ No (If FBT-exempt)
In-House Catering	✓ Deductible	Exempt (Property Benefit Exemption)	✓ Yes

General Principles to Remember

GST Credits

GST input tax credits are claimable only if the expense is incurred for **business purposes** and you hold a **valid tax invoice**. Always ensure your documentation meets ATO requirements before claiming credits on your Business Activity Statement.

Fringe Benefits Tax (FBT)

FBT applies to entertainment provided to **employees and their associates** unless a specific FBT exemption applies. Common exemptions include the minor benefit exemption (under $300 per person, incl-GST) and the property benefit exemption for on-premises catering during work hours.

Tax Deductibility

Entertainment expenses are **generally not deductible** unless they are subject to FBT. However, **gifts to clients are deductible** as they're considered business promotion expenses. This is a key distinction that many businesses overlook.

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FBT Exemptions Explained

Understanding these FBT exemptions can significantly reduce your FBT liability and simplify compliance.

Minor Benefit Exemption

Cost: **Less than $300 per person**

The benefit must be:

- Infrequent and irregular
- Unreasonable to treat as a fringe benefit
- Not a reward for services

Example: Individual Christmas gifts under $300, occasional team lunches

Property Benefit Exemption

Applies to: **Food and drink consumed by employees**

Requirements:

- Consumed on business premises
- Provided during work hours
- Not part of salary packaging

Example: Morning tea, in-office Christmas lunch, workplace catering

Taxi Travel Exemption

Scope: **Direct travel to/from work or business events**

Covers:

- Travel between workplace and home
- Travel to/from business functions
- Single trip journeys

Example: Taxi home after late work Christmas party, transport to client events

GST Tips for Festive Season

1 Report Correctly

Report GST on purchases only where **input tax credits are allowed**. Entertainment that is FBT-exempt generally means no GST credit can be claimed.

2 Understand the Connection

Entertainment that is FBT-exempt → No GST credit. This is a crucial principle that trips up many businesses.

3 Classify Properly

Keep accurate invoices and classify expenses correctly under BAS codes (G1 for GST-free, 1A for creditable acquisitions, 1B for non-creditable).

4 Maintain Documentation

Always retain valid tax invoices showing GST amounts. Without proper documentation, you cannot claim input tax credits regardless of eligibility.

Essential Record Keeping

Proper documentation is critical for compliance and audit protection. Implement these practices for the festive season.

01

Tax Invoices

Maintain valid tax invoices for all festive season expenses, including supplier ABN, GST amounts, and transaction dates.

02

Attendee Lists

Document who attended events, clearly distinguishing between employees, clients, and associates. Essential for FBT calculations.

03

Event Documentation

Record event purposes with agendas, invitation copies, and contemporaneous notes about business objectives.

04

Cost Allocation

For mixed attendance events, allocate costs proportionally between employee and client entertainment.

05

Gift Register

Maintain a register noting recipient name, business relationship, reason for gift, date provided, and value.

Common Festive Season Scenarios

Christmas Party

If held on premises during work hours and costs under $300 per person (incl-GST): deductible, FBT-exempt, GST claimable.
Off-site or over $300 (incl-GST): not deductible, FBT applies, GST only if FBT paid.

Client Gift Hampers

Fully tax deductible as promotional expenses. No FBT implications. GST credits claimable with valid tax invoice. Perfect for client appreciation and relationship building.

Client Entertainment

Drinks, meals, or sporting events with clients: not tax deductible, no FBT (not provided to employees), no GST credit. These are non-deductible business expenses.

Employee Gifts

Under $300 (incl-GST) per person and infrequent: deductible, FBT minor benefit exemption applies, GST claimable.
Over $300 (incl-GST): deductible, subject to FBT, GST claimable with FBT payment.

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Important Disclaimer

Professional Advice Required

This guide provides **general information only** and is not financial or tax advice. The information presented is current as of publication but may be subject to change as legislation evolves.

Tax, GST, and FBT rules can be complex, and their application depends on your specific circumstances, business structure, and factual situation.

Always seek professional advice tailored to your individual circumstances before making decisions about festive season expenses, tax planning, or compliance matters.

Wishing you a compliant and prosperous festive season from Knight

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Merry Christmas
and a Happy New Year

from all at KNIGHT

The Knight office will be closed from
12:00pm Wednesday 24th December 2025
and re-open **at 8:00am Monday**
5th January 2026.