

## ADELAIDE UNIVERSITY

<b>Section:</b>	<b>Taxation</b>	<b>Procedure No:</b>	<b>FBT-02</b>
<b>Title:</b>	<b>FBT on Entertainment Expenses</b> Circumstances in which food and drink (Meals) are provided to Employees	<b>Related Form/s:</b>	
<b>Effective Date:</b>	<b>01.04.2001</b>	<b>Approved By:</b>	<b>David Carver</b>
		<b>Title:</b>	<b>Financial Controller</b>
		<b>Page No:</b>	<b>1 of 3 PLUS Appendix</b>

### 1. Overview

This Policy sets out the requirements where University funds are used for the purpose of entertainment of University employees, their Associates and Clients of the University. It also states the reporting mechanisms required by departments to ensure the University meets its obligations with regard to Fringe Benefits Tax Legislation.

### 2. Scope

- 2.1 The provisions of this Policy apply to all employees of Adelaide University.
- 2.2 The Policy does not apply to expenses for meals incurred during travel on University business where an employee is absent overnight. Such expenses are covered by the Policy and Procedures "Claiming Travelling Allowances and Expenses Including Accommodation".

### 3. Definitions

- 3.1 "**Associate(s)**" of an employee is a term used by the Australian Taxation Office (ATO) to cover family members such as spouse, children etc. Please note that the inclusion of this definition is not to be taken as an open approval for University funds to meet the costs of associates.
- 3.2 "**Clients**" of the University is a term used by the ATO to cover guests and visitors (other than associates) who are being entertained at the expense of the University.
- 3.3 "**Employee(s)**" includes all staff of the University irrespective of:
  - (i) tenure of appointment - full or part time, permanent or casual; and
  - (ii) the funding source for the position they occupy.Please note that employees include future or former employees where a fringe benefit is provided in connection with their future or former employment.
- 3.4 "**Entertainment**" is the provision of food and drink (Meal Entertainment) or recreation (Non-Meal Entertainment). The applicable costs include all associated costs, such as transport (taxi hire) and accommodation (room hire).
- 3.5 "**Fringe Benefits Tax (FBT)**" for the purpose of this Policy refers to the taxation imposed on the proportion of the total entertainment expenditure which relates to employees and/or their associates.

FBT in the case of entertainment, is levied on specific items of expenditure incurred by the University on behalf of the employee on the basis that the ATO views that the employee or associate of the University has received a benefit from the entertainment. As such, the FBT on the entertainment expense is borne by the employer or related entity of the employer, ie the University or any of its controlled entities.

3.6 "Meal Entertainment" is the provision of food and drink.

3.7 "Non-Meal Entertainment" is the provision of recreation such as football tickets, theatre tickets etc.

#### **4. How FBT applies and the rules to follow**

##### **4.1 Meal Entertainment (Food and Drink)**

Where the provision of Meal Entertainment occurs, the following rules will be used in calculating FBT on benefits provided :

- (i) Employees - varies - refer to Appendix A.
- (ii) Associates - is subject to FBT.
- (iii) Clients - is not subject to FBT.

##### **4.2 Non-Meal Entertainment (Recreation)**

All Non-Meal Entertainment expenses will only be reimbursed to the employee and not the supplier.

Since the 1/4/1999, the grossed up taxable value of non-meal entertainment fringe benefits are required to be identified on an employee's group certificate in the column "Reportable Fringe Benefits Amount" (RFB), if the total RFB amount is greater than \$1,000.00.

The following rules will be used in calculating FBT on benefits provided:

- (i) Employees - is subject to FBT.
- (ii) Associates - is subject to FBT.
- (iii) Clients - is not subject to FBT.

#### **5. Policy**

5.1 University funds may be used for the purpose of entertaining employees, associates and clients.

5.2 Where the expenditure is charged to a University account (eg by using a credit card) gratuities and tips are not to be added to the cost. Any gratuities or tips are at the discretion of the individual and at a cost to be borne by the individual.

5.3 The FBT cost incurred due to entertainment expenditure will be borne by the department which incurred the entertainment cost.

5.4 The calculation of the FBT to be charged to the department will be undertaken by Finance Branch.

All claims by departments for entertainment reimbursement or payment request must be supported by original documentation which will be retained by the University. The ATO requires that this documentation must include the following details:

- (i) who is entertained, ie a list (and the number) of employees, their associates, and clients;
- (ii) why, ie the reason for the entertainment;

- (iii) what, ie the type of entertainment provided;
- (iv) when, ie date and time (eg breakfast, morning tea, lunch, afternoon tea, evening meal) of the entertainment; and
- (v) where, ie the location of the entertainment.

Failure to forward such documentation will result in FBT having to be calculated on the total expenditure and will be charged to the department.

## **6 General Ledger Account Codes**

When coding FBT applicable expenditure, the following account codes are to be used:

- (i) Meal Entertainment 2786
- (ii) Non-Meal Entertainment 2788

## **7 Responsibilities**

### **7.1 Division/ Faculty**

Division/ Faculty will bear the following responsibilities under this Policy:

- (i) authorisation of the use of funds for the purpose of entertainment as defined in this Policy;
- (ii) identification of any transactions subject to FBT; and
- (iii) information disclosure as specified in paragraph 5.4 of this Policy.

### **7.2 Finance Branch**

Finance Branch is responsible for the following:

- (i) processing transactions which are subject to FBT to facilitate the recording;
- (ii) calculating and posting of FBT cost to the department incurring the expense;
- (iii) preparation of the University's FBT return to the ATO; and
- (iv) retention of records supplied under paragraph 5.4 of this Policy, as required under the Income Tax Assessment Act 1936 (as amended) and FBT legislation for at least seven years.

The Finance Branch is also responsible for the maintenance of this Policy.

## **8. Further Information**

Queries about entertainment or FBT in general should be directed to the Manager of Taxation, Finance Branch.

## Adelaide University

**MEAL ENTERTAINMENT (ie Food and Drink only) RULES  
FOR ADELAIDE UNIVERSITY  
as at January 2000**

## CIRCUMSTANCES IN WHICH FOOD AND DRINK (Meals) PROVIDED TO EMPLOYEES

	FBT
<b>1 Food and Drink consumed by employees on the employer's business premises.</b>	
1.1 at a social function	Yes
1.2 morning and afternoon teas and light lunches (without alcohol), eg sandwiches, finger food, tea, coffee, juice	No
1.3 overtime meals under an industrial award	No
<b>2 Food and Drink consumed by employees off the employer's business premises.</b>	
2.1 at a social function or business lunch or promotions	Yes
<b>3 Alcohol only</b>	
3.1 employee travelling(ie involves sleeping away from home) - alcohol accompanies evening meal	No
3.2 alcohol provided at the conclusion of a CPD (continuing professional development) seminar with finger foods	No
<b>4 Food and Drink consumed by employees while travelling, ie involves sleeping away from home</b>	
4.1 employee's meal	No
4.2 non-travelling employee	Yes
<b>5 Food and Drink consumed by employees while attending a seminar</b>	
5.1 incidental to an eligible seminar not held on the employer's premises. The criteria for an FBT eligible seminar are (a) of continuous duration of at least four hours, <b>and</b> (b) training the employees in matters relevant to the employer's business <u>or</u> enabling the employees to discuss general policy issues relevant to the internal management of the employer's business, <b>and</b> (c) conducted on property that is occupied by a person (other than the employer) whose business includes organising seminars or making property available for conducting seminars.	No
5.2 light breakfast at a CPD seminar that is not an eligible seminar	No
5.3 light refreshments including moderate amount of alcohol provided immediately after a CPD seminar that is not an eligible seminar	No
<b>6 Food and Drink consumed by employees under an arrangement, ie by a third party</b>	
6.1 employer is unaware or does not consent to its employees being taken out to dinner by clients	No
6.2 employer is aware or does consent to employees being taken out to dinner by clients	Yes