

Tips for a more tax deductible season

YOU might be in the middle of planning a Christmas party for your staff right now.

If you've done some costings that have made your eyes pop out of your head, read on.

These festive functions do not have to be another expensive burden on the company's budget.

John Corias from MAS Accountants has prepared some advice, highlighting the fact that small businesses are eligible for tax deductions in particular expenses.

The key is finding the right steps to eliminate costly payments and maximise this tax deductibility, he said.

To ensure businesses are benefiting most during this crazy time of the year, it is important to understand what expenses are allowable for tax claims and avoid falling into the tax law trap that can leave business owners with an unpleasant surprise.

Exercise the 'minor benefit' rule: In general the provision of entertainment expenses at Christmas party events is not allowable for income tax deduction, subject to the Fringe Benefits Tax and its onerous lodge forms and paperwork. Under the 'minor benefit' rule however, an expense of no more than \$300 becomes a notional taxable value that isn't subjected to the FBT payments.

"This is a great advantage for small businesses as entertainment expenses can be tax deductible. Hosting the

party during working hours on business premises can also reinforce this rule. This is of course a simple, smart way to trim those FBT bills and avoid the timely hassle involved with preparing and lodging," Mr Corias said.

Minimise the fringe benefits tax: Ask employees to make personal contributions toward party expenses – this reduces the expenses the business itself will have to claim for tax benefits; reward staff by offering free seminars or trade shows; pay tax bonuses to staff in which they can pay their tax themselves.

"All employers would recognise that at the end of the hard-working year it is important to reward staff for their efforts and of course keep incentive to create bigger and better success for the following year," Mr Corias said.

As gifts of appreciation are often infrequent and not overly excessive, it is usually acceptable for income tax deduction. Great gift ideas such as flowers, wine, perfume and gift vouchers do not fall within the FBT rules as it does not classify as entertainment purposes, meaning your business can effectively save in this aspect.

"By understanding the tax laws, businesses can save a great deal of stress and worry about finances to allow a more enjoyable time of sharing, giving and rewarding staff," Mr Corias said.



MINOR BENEFIT: Festive functions do not have to be expensive if you know what to claim.

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