

A Guide to Salary Packaging 'Meals Entertainment & Entertainment Facility Leasing' (Rebatable Employer)

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About The Salary Packaging People

The Salary Packaging People are an independent company who administer salary packaging on behalf of your employer. We are required to comply with statutory requirements and taxation legislation. All information sent to us is treated as strictly confidential.

What is Meal Entertainment & Entertainment Facility Leasing Expenses Salary Packaging?

Your employer is regarded as a 'Not for Profit' or 'Charity' organisation and therefore is entitled to a rebate of Fringe Benefits Tax (FBT). As an employee, the Australian Taxation Office (ATO) states that you are entitled to salary package an amount of your salary in respect to Meals Entertainment and Entertainment Facility Leasing (Meal Entertainment) expenses, capped at \$2,650.00 per FBT year (1 April to 31 March).

As with the Salary Packaging of Reportable Fringe Benefits, the rebate is applied to the value of any Meal Entertainment expenses paid during the FBT Year. You can refer to 'A Guide to Salary Packaging 'Reportable Fringe Benefits' (Rebatable Employer)' for further information on the tax treatment for Salary Packaging.

The amount paid for this benefit is 'Grossed Up' (refer to the 'Grossed Up' section of this document) and this amount appears on your PAYG Summary at the end of the financial year. The amounts paid for Meal Entertainment are subject to strict ATO guidelines on what is considered a Meal Entertainment expense.

What is a Meal Entertainment expense?

Basically a Meal Entertainment expense is food and beverage provided for your 'entertainment'. The ATO provides four common tests to define such an expense:

WHY: the food and beverage is provided in a social situation for employees to enjoy themselves

WHAT: the more elaborate the meal, the greater likelihood it is 'meal entertainment'

WHEN: outside of usual working hours

WHERE: function rooms, restaurants, cafes, clubs etc.

The expense to be claimed must predominantly be a meal. The entertainment element must arise as a consequence to the meal expense (e.g. a live show or band).

What Can Be Claimed as a Meal Entertainment Expense?

Meals and beverages in venues such as a restaurant, hotel, café and club. Each claim must be for a minimum of \$15.

Catering cost for functions where the sole or dominant purpose is the consumption of food and beverages e.g. a wedding or 21st birthday. A caterer's invoice must include a detailed listing of the food, beverages and facility hire and the caterer's A.B.N.

What Cannot Be Claimed?

Expenses that are for 'refreshment' such as snacks and afternoon tea as they are not considered as a meal

- 'Drive-thru' or take-away food
- Groceries or bottle shop items
- 'Self-catering' for functions
- Entertainment items alone such as movie or concert tickets. A claim may be possible if a meal is included within the expenditure.

What is an Entertainment Facility Leasing expense?

Entertainment Facility Leasing expenses apply to 'recreation' accommodation and venue hire.

What Can Be Claimed?

- Hire of a function room, reception centre or marquee for a celebration event such as a wedding or party
- Hiring of holiday accommodation such as a hotel room, serviced apartment, bed & breakfast, cabin, caravan or caravan site
- Hire of a marquee or corporate box for a party or other celebration
- Cruise costs if accommodation included
- Packaged holidays (can include airfares if accommodation forms part of the total price)

What Cannot Be Claimed?

- Travel expenses such as flights, trains or car hire.
- 'Incidental' expenses incurred in hired accommodation such as laundry, movies, phone calls and mini bar items
- Purchase of holiday homes or time-share accommodation
- Holiday package deals that cannot be clearly itemised for the accommodation component
- Theme Park, movies, concerts, separate leisure activities and day tours.

How is Meal Entertainment Paid?

You have a choice of how The Salary Packaging People handle your deductions for Meal Entertainment. You can either be issued with a Debit Card for payment of compliant Meal Entertainment charges or pay for these directly by other means and seek a reimbursement from The Salary Packaging People.

Whichever way you choose, you nominate an amount that you want deducted from your pre-tax salary each fortnight for dining and catering expenses such as:

- Bistros, cafes, restaurants, pubs
- Recreational clubs that provide meals
- Catered events such as wedding or birthdays
- Holiday accommodation such as a hotel room, serviced apartment, cabin, caravan or caravan site

The nominated amount plus the calculated FBT Liability is deducted from your gross pay (which in turn reduces your tax). This will appear on your payslip. That amount is transferred to The Salary Packaging People who then either pay the nominated amount onto the Debit Card or accumulates the funds until you claim a reimbursement of the expense.

Should you choose the reimbursement method, you pay for the expense directly, obtain an invoice from the merchant and submit this to The Salary Packaging People to process as a reimbursement once sufficient funds have been received from your salary deductions.

With the Debit Card, the expenses are restricted by Merchant Codes to ensure spend the funds available on the card are spent on compliant Meal Entertainment expenses only.

How to establish a Meal Entertainment Benefit.

You will need to complete a Salary Packaging Application and nominate Meal & Entertainment as a benefit to be packaged.

If you wish to be issued with a Debit Card, you will need to complete a separate Application Form and provide Certified Identification. These forms are available from us directly.

Once completed, we will submit these forms and identification to the issuing bank, who will issue the card, the terms and conditions of its use and the relevant information to enable you to access online information on the card.

How to Claim a Reimbursement

To make a claim for a reimbursement, you need to complete a 'Meal Entertainment Reimbursement Claim Form' and attach copy invoices (which include the provider's name, ABN and details of the expense) as evidence of the expenses you incurred. Overseas invoices must be in English and itemised, as well as the currency conversion.

The claim is to be faxed or scanned to The Salary Packaging People for processing. Manual claims such as these should be for a minimum of \$200 per claim.

Please note that you should keep a copy of manual claims (including the original invoices) for five years for ATO substantiation purposes. The Salary Packaging People reserves the right to scrutinise invoices and to be the final approval of the expense item to ensure that it complies with the ATO guidelines.

'Grossed Up' amount

A Grossed Up Amount is calculated because your salary deductions for your Meal Entertainment Benefits do not have income tax paid on them. Grossed Up is defined by the Australian Taxation Office as 'the gross salary an employee would have to earn at the highest marginal tax rate to purchase the packaged benefit from post-tax dollars'.

The formula issued by the ATO is:

Total Taxable Value ÷ (1 – Top marginal tax rate + Medicare Levy).

Therefore, if you salary package for Meal Entertainment to the current maximum cap of \$2,650, the following would apply:

$$\$2,650 \div (1 - 0.47) = \$2,650 \div 0.53 = \$5,000$$

As a result, \$5,000 will appear as a separate reportable entry on your employer supplied PAYG Summary at the end of the financial year. The Grossed Up amount does not mean you have to pay any extra tax. This amount is used in calculations for some income tested Government Benefits, Child Support obligations, HECS/HELP debts, etc.

Independent Financial Advice

It is recommended that you seek independent financial advice on the make-up of your salary packaging, but when seeking advice please ensure that your financial advisor is familiar with salary packaging.

Please contact The Salary Packaging People on 03 5229 4200 or info@salarypackagingpeople.com.au with any queries and to arrange the set-up of this benefit.

You can also enquire through our website www.salarypackagingpeople.com.au