



# Nexia Edwards Marshall

## Fringe Benefits Tax: Entertainment Benefits

### What is considered to be Entertainment?

Entertainment is defined to mean:

- entertainment by way of food, drink or recreation; or
- accommodation or travel associated with providing entertainment by way of food, drink or recreation.

A fringe benefit provided in the form of entertainment is assessed for FBT purposes under the valuation rules applicable to the particular type of benefit provided, for example as an expense payment where an employee's entertainment expenditure has been paid for or reimbursed by their employer, or as a property benefit where an employee has been provided with actual property such as a meal by their employer.

**Note: The taxable value of benefits is calculated using GST inclusive costs.**

An election can be made in relation to meal entertainment to use one of two simplified methods (explained further below) for calculating the taxable value. These rules were introduced to reduce compliance costs associated with providing such benefits. Note that the simplified rules cannot be used to value other forms of entertainment such as recreation.

The distinction between meal entertainment and other forms of entertainment is also important for the following reasons:

- Meal entertainment benefits are generally not required to be shown on employee PAYG Payment Summaries as reportable benefits unless they are salary packaged by the employee. Salary packaged meal entertainment and entertainment facility leasing expenses have been removed from the definition of excluded benefits, and accordingly are reportable fringe benefits;
- Entertainment by way of recreation is a reportable fringe benefit, and counts towards an employee's FBT exemption or FBT rebate cap (where applicable);
- Meal entertainment is treated concessionally for FBT rebatable employers and is fully exempt from FBT when provided by public benevolent institutions, public and not-for-profit hospitals, ambulance services (where the benefits are provided to employees predominantly involved in the provision of ambulance services) and health promotion charities.
- Where meal entertainment or entertainment facility leasing expenses have been salary packaged, however, it will count towards the employee's FBT exemption or FBT rebate cap. If an employee's total grossed-up value of fringe benefits exceeds the standard capping threshold, the cap will be increased by the lesser of:
  - \$5,000; and
  - The total grossed-up taxable value of salary packaged entertainment benefits.

## Meal Entertainment

Meal entertainment refers to:

- entertainment by way of food or drink;
- accommodation or travel in connection with, or for the purpose of facilitating entertainment by way of food or drink; or
- the payment or reimbursement of expenses incurred in providing one or both of the above.

One of the most difficult tasks for employers arises in determining whether or not entertainment has been provided, as the mere provision of food or drink does not of itself mean that entertainment has been provided. For example the provision of morning and afternoon tea, whilst comprising food and/or drink, does not constitute entertainment. Similarly the provision of light meals and snacks is not usually considered to be entertainment. The provision of alcohol adds weight to the conclusion that entertainment has been provided due to the social connotations and circumstances in which alcohol is usually consumed.

Meals and drink consumed by employees whilst travelling away from home on business generally does not constitute entertainment except where attending a social function.

The circumstances in which the food or drink is provided, together with the nature of the food or drink itself will determine whether or not it constitutes entertainment. The following extract from income tax ruling TR 97/17, details the relevant factors to be considered in making this assessment. Note that while each case needs to be judged on its own set of facts, more weight is placed on the 'why' and 'what' tests.

### Why is the food or drink being provided?

This test is a 'purpose test'. For example, food or drink provided for the purposes of refreshment does not generally have the character of entertainment, whereas food or drink provided in a social situation where the purpose of the function is for employees to enjoy themselves has the character of entertainment.

### What food or drink is being provided?

As noted previously, morning or afternoon tea and light meals are generally not considered to constitute entertainment; however, as light meals become more elaborate, they take on more of the characteristics of entertainment. The reason for this is that the more elaborate a meal, the greater the likelihood that entertainment arises from the consumption of the meal.

For example, when an employer provides morning or afternoon tea or light meals, that food or drink does not usually confer entertainment on the employee. By contrast, a three-course meal provided to an employee during a working lunch has the characteristics of entertainment. The nature of the food itself confers entertainment on the employee.

### When is the food or drink being provided?

Food or drink provided during work time, during overtime or while an employee is travelling is less likely to have the character of entertainment. This is because in the majority of these cases food provided is for a work-related purpose rather than an entertainment purpose. For example, a basic meal provided to employees working overtime would not generally be provided for an expected outcome of providing entertainment, whereas a staff social function held during work time still has the character of entertainment.

### Where is the food or drink being provided?

Food or drink provided on the employer's business premises or at the usual place of work of the employee is less likely to have the character of entertainment; refer to points b. and c. above. However, food or drink provided in a function room, hotel, restaurant, cafe, coffee shop or consumed with other forms of entertainment is more likely to be characterised as entertainment as the provision of this food or drink is less likely to have a work-related purpose.



### **Income Tax and GST**

From 20 September 1985 entertainment has been non tax deductible. An exception exists however in relation to entertainment provided by way of a fringe benefit. As a result, entertainment that is provided to employees and their associates, is generally income tax deductible (to taxable employers), but subject to fringe benefits tax. Entertainment provided to other persons on the other hand is generally non tax deductible, but exempt from fringe benefits tax.

Input tax credits for GST paid on entertainment can only be claimed on that portion of entertainment that is tax deductible, or in the case of tax-exempt organisations would be tax deductible if they were not exempt. Tables are provided in the attached appendices, highlighting the income tax and fringe benefits tax implications of meal entertainment in a number of different situations; Appendix A is for use by employers using the actual or per head method of apportionment, Appendix B is for use by employers using the 50/50 method of apportionment explained below.

FBT-exempt employers such as public benevolent funds (PBI's) and public or not-for-profit hospitals are unable to claim any input tax credits relating to entertainment. Benefits provided by PBI's, public hospitals etc. are defined to be 'exempt benefits'. The definition of 'fringe benefit', specifically excludes benefits that are 'exempt benefits'.

Accordingly it is not possible for an FBT exempt employer to provide entertainment by way of a fringe benefit; hence no input tax credit is available.

As the extent to which entertainment expenditure is incurred in providing fringe benefits affects an employer's income tax, fringe benefits tax and GST obligations, it is essential to correctly determine how much of any meal entertainment benefits relate to employees (and associates), as opposed to others i.e. clients. If that part of a benefit relating to employees only is not easily extracted from the available information, the expenditure can be apportioned on a 'per head' basis.

**Note: An input tax credit can only be claimed in respect to entertainment to the extent that it relates to the provision of a fringe benefit.**

### **Simplified Methods to Calculate the Taxable Value of Meal Entertainment Benefits**

Since 1 April 1995 it has been possible to apportion meal entertainment expenditure between employees and non-employees on a 50/50 basis, or by use of a 12-week register. Note that whichever basis is used to apportion meal entertainment benefits, must be used consistently throughout the whole FBT year, i.e. it is not possible to use one method for part of the FBT year, and another method for the remainder of the year. Employers are however able to change the method of calculation from one year to another. Note that the 50/50 method of apportionment can also be used in calculating the taxable value of entertainment facility leasing costs for items such as corporate boxes, and the hire of aircraft, boats or other facilities for the purpose of the provision of entertainment, but cannot be used for other forms of entertainment such as recreation. From 1 April 2016, the 50/50 method of apportionment is not available for salary packaged meal entertainment or entertainment facility leasing expenses.

#### **50/50 Method**

The 50/50 method is by far the simplest method for apportioning meal entertainment and has traditionally been the most commonly used. This method involves only two steps.

Step 1 - Determine whether or not meal entertainment has been provided

Step 2 - Apportion entertainment costs on a 50/50 basis between that portion that is deemed to have been provided to employees, and that portion that is deemed to have been provided to others.

It follows that under this method, 50% of meal entertainment expenditure is tax deductible (to taxable employers) and eligible for input tax credits.



Where employees contribute towards the cost of the meal entertainment, their contributions will be subject to GST, assuming that the relevant entertainment expenditure was subject to GST. In addition, when determining the taxable value of meal entertainment benefits, the taxable value of the benefit will be determined by firstly subtracting the employee contributions received, and then allocating the net expenditure 50/50.

### **Example**

\$220 is spent dining at a restaurant by an employee during business discussions with clients.

If an election has been made to use the 50/50 method, \$110 would be non-tax deductible, with no entitlement to an input tax credit. This amount would not however be subject to FBT.

Of the remaining \$110, \$10 would be eligible to be claimed back by way of an input tax credit with a tax deduction available for \$100. The GST-inclusive amount of \$110 would be subject to fringe benefits tax.

If using the same example, \$66 was contributed towards the cost of the food and drink by the employee to their employer, the following income tax, FBT and GST implications would result.

The net meal entertainment expenditure of \$154 (\$220 - \$66) would be split 50/50 between employees and others.

\$77 (\$154 x 50%) would be non-tax deductible, with no entitlement to an input tax credit or income tax deduction.

An input tax credit of \$7 could be claimed, with the remaining \$70 claimed as an income tax deduction. The GST-inclusive amount of \$77 would be subject to FBT.

### **12 Week Register Method**

The twelve week register method is rarely used and hence this option is only considered in brief.

Under the 12 week register method, the total value of meal entertainment fringe benefits provided (i.e. to employees and associates) during the 12 week period is calculated as a percentage of the total value of meal entertainment provided in the same 12 week period. This percentage is then used as a basis for apportioning the total meal entertainment costs for the year, providing that the period for which the register was kept is representative of the first year in which it is maintained. From 1 April 2016, this method cannot be used for valuing salary packaged meal entertainment or entertainment facility leasing expenses.

Where the 12 week register period occurs wholly within the same FBT year, the register is valid for the next four years, providing that the total value of meal entertainment expenditure in those following years does not exceed the total of such expenditure in the year in which the register was kept by more than 20%.

If the 12-week register period spans two FBT years, the register is only valid for the second of the

two FBT years, subject to the same proviso regarding the level of meal entertainment expenditure in that year.

The details that are required to be included in the register are:

- the date of providing the meal entertainment;
- for each recipient, whether they are an employee or an associate;
- the cost of the meal entertainment;
- the kind of meal entertainment provided;
- where the meal entertainment is provided; and
- if the meal entertainment is provided on the employer's premises, whether it is provided in an in house dining facility.

### **Disadvantages with the 50/50 and 12 Week Register Methods**

As mentioned previously, if either the 50/50 or 12 week register method is used to value meal entertainment benefits, it must be consistently used to value all such benefits provided in the same FBT year. Use of either of these simplified methods therefore prevents the employer from being able to take advantage of the following three FBT exemptions.

- **Minor benefits exemption** – This exemption applies where the GST inclusive cost of food and drink is less than \$300 per employee (subject to certain other conditions being satisfied).
- **Property benefit exemption** – This applies where food and drink is provided to and consumed by current employees on the business premises on a working day (i.e. a boardroom luncheon or after-work drinks on a Friday night).
- **Taxi travel exemption** – This applies where taxi travel is provided with meal entertainment (i.e. travel to a restaurant), and the travel is a single trip that begins or ends at the employee's place of work.

Note that the above exemptions, whilst reducing an employers FBT liability, result in the relevant expenditure being non-tax deductible and ineligible for input tax credits. The reason for this is that entertainment expenditure is generally only deductible where it is incurred in relation to the provision of fringe benefits. Exempt benefits are not included in the definition of a fringe benefit. As the relevant entertainment expenditure is non-tax deductible, it is also ineligible for input tax credits.

### **Other Entertainment**

As mentioned previously, if entertainment is provided to employees and/or associates that does not fall under the meal entertainment provisions, it will be assessed under the particular rules applying for the type of benefit provided. i.e:

- an expense payment benefit (reimbursement of employee entertainment expenses);
- an airline transport benefit (holiday transport provided to an airline employee);
- a property benefit (theatre tickets);
- a residual benefit (employee use of a sporting or recreational facility);
- a board fringe benefit; or
- a tax-exempt body entertainment fringe benefit (refer to next page).

### Tax-exempt Body Entertainment

Tax-exempt body entertainment is entertainment that is provided by an income tax-exempt body that is not also FBT exempt, sporting clubs for example.

In general, the same FBT rules apply with respect to entertainment provided by income tax-exempt bodies:

**FBT:** FBT is only payable on entertainment relating to employees and associates.

**Income Tax:** No income tax deduction is available as the provider is income tax-exempt.

**GST:** Input tax credits can only be claimed in respect of entertainment that is subject to FBT, i.e. where it has been provided to employees and/or associates.

Two notable differences with respect to tax-exempt body entertainment are that:

- The property benefit exemption for meal entertainment provided to employees on the employer's business premises does not apply to tax-exempt employers.
- The \$300 minor benefit exemption does not generally apply in relation to tax-exempt body entertainment. This exemption will only apply in the following two situations:
  - A minor entertainment benefit consisting of light refreshments only, which is provided to an employee and/or an associate at a function that is primarily for entertaining clients and other non-employees, i.e. where the entertainment provided to employees and associates is incidental to the entertainment of other persons such as clients.
  - A minor entertainment benefit provided to an employee and/or an associate on the employer's business premises solely as a means of recognising a special achievement of the employee relating to their employment.

The 50/50 and 12 week register methods can be used for valuing tax-exempt body entertainment benefits.

### How can Nexia Edwards Marshall help you?

If you have any questions relating to expense payment benefits, or any other FBT related topic, please contact Raoul Stevenson or your Nexia Edwards Marshall Advisor.



#### **Key contact: Raoul Stevenson**

Raoul is a Senior Manager in Nexia Edwards Marshall's Business Consulting and Taxation divisions.

As Senior Manager of the Fringe Benefits Tax (FBT) team, Raoul provides valuable expertise to both the firm and its clients, including schools where he has hosted FBT presentations. His knowledge has helped clients and their staff optimise the benefits of salary sacrifice arrangements.

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## APPENDIX A: Meal Entertainment

*Income tax deductibility & fringe benefits tax assessability*

*Taxable employer using actual or per head basis of apportionment*

The taxation result shown in the table below is relevant if the employer wishes to treat each item of actual expenditure on food or drink separately for income tax and fringe benefits tax purposes.

Circumstances in which food & drink provided	Recipient	Meal Ent	GST Input Tax Credits	Taxable Employer		Tax Exempt Body	
		Y/N		Income Tax Ded'n	Subject to FBT	Subject to FBT	
On business premises of employer	Sustenance (i)	Employee	No	Yes	Yes	No	No
		Associate	No	Yes	Yes	Yes (i)	Yes (i)
		Client	No	Yes	Yes	No	No
	Light meals and refreshments provided in connection with work meetings, training, overtime, or a working lunch	Employee	No	Yes	Yes	No	No
		Client	No	Yes	Yes	No	No
	At a social function	Employee	Yes	No (v)	No (v)	No (v)	Yes
		Associate	Yes	Yes	Yes	Yes	Yes
		Client	Yes	No	No	No	No
Food & drink (other than minor refreshments) consumed off premises	Other than whilst travelling	Employee	Yes	Yes	Yes	Yes	Yes
		Associate	Yes	Yes	Yes	Yes	Yes
		Client	Yes	No	No	No	No
Minor refreshments provided off premises (coffee shop etc)	Other than whilst travelling	Employee	No (iv)	Yes	Yes	Yes (iv)	Yes (iv)
		Associate	No (iv)	Yes	Yes	Yes (iv)	Yes (iv)
		Client	No (iv)	Yes	Yes	No (iv)	No (iv)
Food and drink consumed by employees whilst travelling	One or more employees travelling together	Employee(s)	No	Yes	Yes	No	No
	Employee travelling with a client and both dine together	Employee	No	Yes	Yes	No	No
		Client	No	Yes	Yes	No	No
	Employee dines with another employee who is not travelling	Travelling employee's meal	No	Yes	Yes	No	No
		Non-travelling employee's meal	Yes	Yes	Yes	Yes	Yes
	Employee dines with a client who is not travelling	Travelling employee's meal provided only	No	Yes	Yes	No	No
		Both employee and client meals provided: Employee's meal	No	Yes	Yes	No	No
Client's meal	Yes	No	No	No	No		
Employee travelling on business with an accompanying spouse	Travelling employee's meal	No	Yes	Yes	No	No	
	Spouse's meal	Yes	Yes	Yes	Yes	Yes	

## APPENDIX A: Meal Entertainment cont'd

*Income tax deductibility & fringe benefits tax assessability  
Taxable employer using actual or per head basis of apportionment*

Circumstances in which food & drink provided		Recipient	Meal Ent Y/N	GST Input Tax Credits	Taxable Employer		Tax Exempt Body
					Income Tax Ded'n	Subject to FBT	Subject to FBT
Food and drink consumed by employee whilst attending a seminar	Provided incidental to an eligible seminar that is not held on the employer's premises (ii)	Employee	If Yes If No	Yes Yes	Yes Yes	No (iii) No	No (iii) No
	Light breakfast provided at a CPD seminar that is not an eligible seminar (ii)	Employee	No	Yes	Yes	No (ii)	No (ii)
	Light refreshments including moderate amount of alcohol provided immediately after a CPD seminar that is not an eligible seminar (ii)	Employee	No	Yes	Yes	No (ii)	No (ii)
Alcohol	Accompanying an evening meal whilst employee travelling on business	Employee	No	Yes	Yes	No	No
	Consumed at conclusion of CPD seminar with finger food	Employee	No	Yes	Yes	No	No

- i. Sustenance includes morning and afternoon teas, fruit juice, light meals and snacks such as finger food. As meals become more elaborate, or where alcohol is provided, the expenditure is regarded to be more in relation to the provision of entertainment. Whilst not in the nature of entertainment, this would be assessed as a non-exempt property benefit when provided to associates.
- ii. An eligible seminar is a conference, convention, lecture, team meeting, award presentation speech, question and answer session, training session or educational course with a content of at least four hours. Where food and drink accompany a seminar (eligible or otherwise), it will not be considered to be meal entertainment, providing it constitutes only a light meal or snack.
- iii. Food and drink (including where it would constitute entertainment) that is provided in connection with an eligible seminar would not generally result in a taxable fringe benefit, as a result of the interaction of the Fringe Benefits Tax Assessment Act with section 32-35 of the Income Tax Assessment Act.

This section provides that whilst no deduction is generally available for entertainment expenses; food, drink, accommodation or travel provided to an individual that is reasonably incidental to attendance at an eligible seminar will still qualify for a tax deduction. As a result, the 'otherwise deductible rule' under the fringe benefits tax legislation would apply to reduce the taxable value of the fringe benefit to nil. The exemption for such expenses does not apply however, if

- (a) the seminar is a business meeting;
  - (b) the seminar's main purpose is to promote or advertise a business or its goods or services; or
  - (c) the main purpose of the seminar is to provide entertainment at, or in connection with, the seminar.
- iv. Whilst a cup of coffee or some other minor refreshments that may be consumed at a business meeting held off premises would not generally constitute entertainment, it is considered to be of a private or domestic nature as regards employees or associates. As such, it will result in either an expense payment benefit or a property benefit. The "otherwise deductible" rule cannot be used to reduce the taxable value of the benefit as the cost would not have been deductible to the employee.

On the other hand, a cup of coffee or other minor refreshment provided to a client at a business meeting would ordinarily be deductible to the employee (assuming that it was not entertainment). Hence, providing the employee provides their employer with either a completed expense payment declaration form or a recurring expense payment fringe benefit declaration form, the taxable value of the fringe benefit provided in respect of the client's refreshments will be reduced to nil. In the absence of the declaration, the full amount of the expenditure that is reimbursed to the employee would be subject to fringe benefits tax. For example if a business meeting was held at a coffee shop between one employee and two client's, the declaration should state that 2/3 of the costs would have otherwise been deductible to the employee had they incurred the expense and not be reimbursed.

- v. Exempt property benefit. As a consequence that no fringe benefits tax is payable on these exempt entertainment benefits, no input tax credits are available and similarly, no tax deduction allowed. Tax exempt bodies are not entitled to this exemption.



## APPENDIX B: Meal Entertainment

### *Income tax deductibility & fringe benefits tax assessability Employer using 50/50 method of apportionment*

The taxation result shown in the table below is relevant if the employer wishes to treat each item of actual expenditure on food or drink separately for income tax and fringe benefits tax purposes.

Circumstances in which food & drink provided		Recipient	Meal Ent Y/N	GST Input Tax Credits	Taxable Employer		Tax Exempt Body
					Income Tax Ded'n	Subject to FBT	Subject to FBT
On business premises of employer	Sustenance (i)	Employee	No	100%	Yes	0%	0%
		Associate	No	100%	Yes	100% (i)	100% (i)
		Client	No	100%	Yes	0%	0%
	Light meals and refreshments provided in connection with work meetings, training, overtime, or a working lunch	Employee	No	100%	Yes	0%	0%
		Client	No	100%	Yes	0%	0%
	At a social function	Employee	Yes	50%	50%	50%	50%
		Associate	Yes	50%	50%	50%	50%
		Client	Yes	50%	50%	50%	50%
Food & drink (other than minor refreshments) consumed off premises	Other than whilst travelling	Employee	Yes	50%	50%	50%	50%
		Associate	Yes	50%	50%	50%	50%
		Client	Yes	50%	50%	50%	50%
Minor refreshments provided off premises (coffee shop etc)	Other than whilst travelling	Employee	No (iv)	100%	100%	100%(iv)	100%(iv)
		Associate	No (iv)	100%	100%	100%(iv)	100%(iv)
		Client	No (iv)	100%	100%	0% (iv)	0% (iv)
Food and drink consumed by employees whilst travelling	One or more employees travelling together	Employee(s)	No	100%	100%	0%	0%
	Employee travelling with a client and both dine together	Employee	No	100%	100%	0%	0%
		Client	No	100%	100%	0%	0%
	Employee dines with another employee who is not travelling	Travelling employee's meal	No	100%	100%	0%	0%
		Non-travelling employee's meal	Yes	50%	50%	50%	50%
	Employee dines with a client who is not travelling	Travelling employee's meal provided only	No	100%	100%	0%	0%
		Both employee and client meals provided: Employee's meal Client's meal	No Yes	100% 50%	100% 50%	0% 50%	0% 50%
Employee travelling on business with an accompanying spouse	Travelling employee's meal	No	100%	100%	0%	0%	
	Spouse's meal	Yes	50%	50%	50%	50%	

## APPENDIX B: Meal Entertainment cont'd

*Income tax deductibility & fringe benefits tax assessability  
Employer using 50/50 method of apportionment*

Circumstances in which food & drink provided		Recipient	Meal Ent Y/N	GST Input Tax Credits	Taxable Employer		Tax Exempt Body
					Income Tax Ded'n	Subject to FBT	Subject to FBT
Food and drink consumed by employee whilst attending a seminar	Provided incidental to an eligible seminar (ii)	Employee	(iii) If Yes If No	100% 100%	(iii) 100% 100%	(iii) 0% 0%	(iii) 0% 0%
	Light breakfast provided at a CPD seminar that is not an eligible seminar (ii)	Employee	No	100%	100%	0%	0%
	Light refreshments including moderate amount of alcohol provided immediately after a CPD seminar that is not an eligible seminar (ii)	Employee	No	100%	100%	0%	0%
Alcohol	Accompanying an evening meal whilst employee travelling on business	Employee	No	100%	100%	0%	0%
	Consumed at conclusion of CPD seminar with finger food	Employee	No	100%	100%	0%	0%

- i. Sustenance includes morning and afternoon teas, fruit juice, light meals and snacks such as finger food. As meals become more elaborate, or where alcohol is provided, the expenditure is regarded to be more in relation to the provision of entertainment. Whilst not in the nature of entertainment, this would be assessed as a non-exempt property benefit when provided to associates.
- ii. An eligible seminar is a conference, convention, lecture, team meeting, award presentation speech, question and answer session, training session or educational course with a content of at least four hours. Where food and drink accompany a seminar (eligible or otherwise), it will not be considered to be meal entertainment, providing it constitutes only a light meal or snack.
- iii. Food and drink (including where it would constitute entertainment) that is provided in connection with an eligible seminar would not generally result in a taxable fringe benefit, as a result of the interaction of the Fringe Benefits Tax Assessment Act with section 32-35 of the Income Tax Assessment Act.

This section provides that whilst no deduction is generally available for entertainment expenses; food, drink, accommodation or travel provided to an individual that is reasonably incidental to attendance at an eligible seminar will still qualify for a tax deduction. As a result, the 'otherwise deductible rule' under the fringe benefits tax legislation would apply to reduce the taxable value of the fringe benefit to nil. The exemption for such expenses does not apply however, if

- (a) the seminar is a business meeting;
  - (b) the seminar's main purpose is to promote or advertise a business or its goods or services; or
  - (c) the main purpose of the seminar is to provide entertainment at, or in connection with, the seminar.
- iv. Whilst a cup of coffee or some other minor refreshments that may be consumed at a business meeting held off premises would not generally constitute entertainment, it is considered to be of a private or domestic nature as regards employees or associates. As such, it will result in either an expense payment benefit or a property benefit. The "otherwise deductible" rule cannot be used to reduce the taxable value of the benefit as the cost would not have been deductible to the employee.

On the other hand, a cup of coffee or other minor refreshment provided to a client at a business meeting would ordinarily be deductible to the employee (assuming that it was not entertainment). Hence, providing the employee provides their employer with either a completed expense payment declaration form or a recurring expense payment fringe benefit declaration form, the taxable value of the fringe benefit provided in respect of the client's refreshments will be reduced to nil. In the absence of the declaration, the full amount of the expenditure that is reimbursed to the employee would be subject to fringe benefits tax. For example if a business meeting was held at a coffee shop between one employee and two client's, the declaration should state that 2/3 of the costs would have otherwise been deductible to the employee had they incurred the expense and not be reimbursed.