



Nexia Edwards Marshall

Fringe Benefits Tax: Entertainment Facility Leasing



Entertainment facility leasing expenses are the expenses incurred in hiring or leasing:

- a corporate box;
- boats or planes for providing entertainment; or
- other premises or facilities for providing entertainment.

The following expenses are not included as entertainment facility leasing expenses for this purpose:

- expenses attributable to providing food or beverages; or
- expenses attributable to advertising that would otherwise have been an allowable income tax deduction.

Tax ruling 92/162 states that 5% of the total costs associated with hiring a corporate box will generally be acceptable by the Australian Taxation Office as advertising.

If transport to and from the facility is included as part of an 'all-inclusive package' it may be considered as part of the entertainment facility leasing expense.

Providing Entertainment - Boats or Planes

Expenses incurred in hiring or leasing a boat or plane, in its entirety, for the purposes of providing entertainment will be considered to be entertainment facility leasing expenses.

If you give an employee a plane ticket to travel to a holiday destination it is not an entertainment facility leasing expense, however it will still be caught as a residual fringe benefit. This is because the ticket is only for one seat not for the entire plane.

Providing Entertainment - Other Premises or Facilities

The phrase 'other premises or facilities' has a broad meaning. In the same way that a corporate box is a part of larger premises or a facility (being a stadium or entertainment centre), items that satisfy this category of entertainment facility leasing expense must be either:

- an entire premises or facility; or
- a distinct area or separate room of a larger premises or facility.

In both instances, the area leased must be done so for your exclusive use, therefore excluding members of the general public from entering. For example:

- a private function room in a club or hotel, including audio visual and staging equipment;
- a hotel/motel room;
- a room in a bed and breakfast facility;
- a cabin on a cruise ship;
- a cabin or on-site van at a caravan park;
- a marquee at an event;
- an entire golf course for a set time or full day, for a corporate golf day;
- one or more tennis courts, for a corporate tennis day; or
- hire of a cinema or theatre.

Not considered to be 'other premises or facilities' for providing entertainment:

- a seat on a plane;
- a seat at a sporting event;
- a table in the dining room of a club or hotel;
- golf green fees or memberships; or
- caravan site fees.

50-50 Split Method

You may elect the total taxable value of fringe benefits arising from the use of entertainment facilities you hire or lease 50% of all entertainment facility leasing expenses.

You must decide to use the 50-50 split method for entertainment facility leasing expenses no later than the day on which your FBT return is due to be lodged or, if you don't have to lodge a return, by 21 May.

If you elect to use the 50-50 method then 50% of all entertainment facility leasing expenses will be subject to FBT. If this election is not made then the calculation will be done based on the actual benefits provided to staff and associates. This may be apportioned on a per head basis at each relevant event.

The minor benefits exemption does not apply if you elect to use the 50-50 split method for valuing entertainment facility leasing expenses.

Note that an election can only be made to use the 50-50 split method where a facility is hired or leased by the employer. This valuation method cannot be used where the employee incurs the expenditure and is reimbursed by their employer due to the wording of Section 152B of the Act.

How can Nexia Edwards Marshall help you?

If you have any questions relating to entertainment facility leasing 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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