

## Santa 'clauses' - 5 festive season problem areas

### 1. An anti-social media Xmas party

Just imagine that embarrassing photo from the Christmas party (you know the one with the glass of champagne and the photocopier) being circulated to your key customer contacts, or even worse, your mother.

Social media creates a whole new way for that expensive company image to be trashed by team members not thinking through what they are doing. Social media is such a part of many people's lives that it's a given that if they are having a good time, or someone is doing something silly, a photo of it is going to be circulated via facebook, instagram or some other medium.

There is also the question of what happens when one employee loads an embarrassing photo of another employee on social media without their permission. In those situations, they don't just damage the company's brand but their colleagues.

Most businesses have a good understanding of the impact of alcohol, sexual harassment, bullying and anti-social behaviour at Christmas parties. It's a good time to remind employees that the staff Christmas party is considered to be the workplace and they need to protect the reputation of the company.

### 2. Gift giving

In November 2010, Clive Palmer reportedly gave 750 long term employees of the Yabulu Refinery luxury overseas holidays for two for Christmas. Fifty of his most valued employees received a new Mercedes Benz. Nice.

For the rest of us, we tend to work on a return on investment principle. You want the gift to have an impact for the investment made and if you can do this in a tax efficient way then all the better. Mr Palmer certainly got the impact part right. When it comes to tax efficiency however, it's likely that he received a very large Fringe Benefits Tax New Year hangover.

So, how do you avoid incurring more tax than you need to at Christmas?

If the gifts are for employees, you need to keep the cost of the gift below \$300 per person – sorry, no Mercedes this year team. The gifts also need to be ad-hoc so splitting a \$2,000 gift voucher into 10 x \$200 vouchers and giving them to an employee at the end of each month won't fool the ATO. If the gift is ad-hoc and below \$300, the Tax Office considers it to be a minor benefit and as such, exempt from FBT. Gifts above this level are deductible to the business but FBT will apply. *Continued over the page...*

Whether your celebrations are a huge family affair or a time of quiet relaxation, we hope you have the opportunity to reflect on everything that was good in 2013.

We hope you and your loved ones have a safe and happy holiday. We look forward to helping you make 2014 a prosperous and successful year.

**Merry Christmas**

## Christmas crackers – our favourite cracker jokes

We all know Christmas cracker jokes are fairly bad but we still read them anyway. Here are our top 10:

1. Who hides in the bakery at Christmas? *A mince spy.*
2. What would you call a person who is afraid of Santa? *Claustrophobic.*
3. What do you give someone who has everything? *Penicillin.*
4. What did Adam say on the day before Christmas? *It's Christmas, Eve!*
5. A chess club threw a party at a hotel. Afterwards, several members were standing in the lobby discussing their recent tournament victories. After an hour, the manager came out of the office and asked them to leave. After they left, the manager's assistant asked, "Why did you make them leave?" "Because," the manager replied, "I can't stand chess nuts boasting in an open foyer."
6. If Santa and Mrs Claus had twins what do you think they would

call them? *A pair of subordinate clauses. Continued over...*

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If the gift is for a client, gifts are deductible as long as the gift is given by the business with the expectation that the business will benefit (i.e., the gift is given with the expectation of generating revenue).

### 3. Spreading the joy – entertaining clients

Entertaining your clients at Christmas is not tax deductible. So, if you take them out to a nice restaurant, to a show, or any other form of entertainment, then you can't claim it as a deductible business expense and you can't claim the GST credits either. It's goodwill to all men but not much more.

### 4. 2 taxi rides and a Christmas cracker for each employee – the Christmas party dilemma

These days, it's likely that the cost of taxi fares home from the team Christmas party are also included in your Xmas expenses - even if it's just a backup for those staff members that go a bit too far. The simple reason is that your work Christmas party is generally seen by the law to be an extension of your workplace. So, if you have your team Christmas party at an external venue, you are responsible for the safety of your staff at the venue and travelling to and from it as they are there in the 'course of their employment.'

To protect your team and your business, you need to make sure that there are clear rules around behaviour, the service of alcohol and everyone's responsibilities, bullying, and sexual harassment, and that these rules are enforced at the event. There are far too many cases of violence at or after parties, staff members being sexually harassed or worse, and drink driving, not to be vigilant.

In terms of tax efficiency, taxi travel that starts or finishes at an employee's place of work is exempt from FBT. If the party is not held on your business premises then the taxi travel is taken to be a separate benefit from the party itself and any Christmas gifts you have provided. In theory, this means that if the cost of each item per person is below \$300 then the gift, party and taxi travel can all be FBT free. However, the total cost of all benefits provided to the employees needs to be taken into account in determining whether the benefits are minor.

You can't deduct the cost of your Christmas celebrations for team members unless FBT applies.

### 5. Clause with a cause

Charity gifts are an increasingly popular form of corporate giving. For tax purposes, you can only claim a tax deduction for donations made to deductible gift recipients (DGRs). If you or your client receive anything for the 'donation,' like a teddy bear, biscuits etc., then it's not tax deductible because you have purchased something rather than made a donation.

Sending a child to school, buying a goat, or funding mosquito nets are popular charity 'gifts' particularly for those that just don't need anything. But who gets the tax deduction? Assuming the charity is a deductible gift recipient (DGR), the answer is, whoever's name is on the receipt. [Care Australia](#), [World Vision](#), [The Smith Family](#), and [UNICEF](#) are just a few charities that offer virtual gift giving options.

Or, in the words of Charles Dickens who said "I will honour Christmas in my heart, and try to keep it all the year," instead of giving client gifts you can use Christmas to announce that your business is launching a charity giving program. The idea is that for every product or service you sell, you will do something to improve the lives of others. See [Buy1Give1](#) for inspiration.

### Christmas Crackers *continued*

7. What did the reindeer say before launching into his comedy routine? *This will sleigh you.*
8. How does Santa's accountant value his sleigh? *At its net 'present' value.*
9. What did one Christmas cracker say to the other Christmas cracker? *My POP is bigger than yours!*
10. What's the favourite Christmas Carol of new parents? *Silent Night!*

### Quote of the month

"The one thing women don't want to find in their stockings on Christmas morning is their husband."

*Joan Rivers, comedian*

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