

Welcome to the January 2015 Issue of InForm Accounting and Taxation. In this issue:

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Christmas benefits

With the holiday season, staff and client functions and gift giving are quite common. If you are considering Christmas presents for your staff or clients ensure the gifts are below \$300 per person - the threshold for Fringe Benefits Tax for minor benefits. Anything above \$300 per person will be subject to Fringe Benefits Tax at a rate of 47%.

Alternatively, if you intend to hold a Christmas party you must keep the cost of your celebrations below \$300 per person on the basis that it will be claimed under FBT minor benefits.

Please note, the \$300 threshold includes all costs associated with the event such as meals, drinks and entertainment. If you send your employees home by taxi, travel to and from the event will also be factored into the \$300 threshold.

If your Christmas party is slightly more extravagant and costs above \$300 per person you will pay FBT but a deduction can be claimed for the cost of the event.

For employers that chose to be more altruistic, Christmas can be a time of charitable giving. While it may be considered unconventional, making a donation can generate goodwill amongst employees, particular where they are given the opportunity to choose their charity. From a tax perspective it is the safest way to ensure that you and your business can claim a deduction for your 'Christmas charity' though it is important to make certain the charity is registered to receive donations that are tax deductible.

If you are planning to provide your staff with cash bonuses rather than a gift voucher

remember that the cash will be taxed in the same way as wages and salaries; a PAYG withholding obligation will be triggered. The Australian Taxation Office view bonuses as ordinary earnings. This means the cash bonus will be subject to Superannuation Guarantee provisions too (an extra expense).

Business management for Christmas 2014

Christmas can present some real challenges for small businesses. At this time of year it is not uncommon to find some debtors postponing payments until the New Year. To avoid this, it is essential to place a strong focus on debtor collection before Christmas to ensure there is cash flow for January and February.

Christmas is also a good time to review employee leave entitlements. Small businesses need to be firm about minimising accrued employee leave liability entitlements. While small businesses tend to be more willing to accommodate staff requirements they can become a significant liability and a future cost. As such, it is best to deal with leave on an ongoing basis. It is also important that businesses inform employees of when it is suitable to take leave – whether it be Christmas, Easter or another time specific to the business.

Stock management is also critical at this time of year. Some retail businesses may have a clear focus on minimising retail stock holdings by Christmas Eve. In other instances, businesses may be best to stock up in December so they can recommence production in January rather than waiting for stock deliveries on their return.

In the lead up to Christmas ensure that your business affairs are in order.