

Meal Entertainment

Packaging your Meal Entertainment allows you to pay for your Meal Entertainment expenses tax free, giving you a greater net take-home pay.

Many employees will benefit from salary packaging their meal entertainment. Your individual benefit is dependent on your marginal tax rate.

What is "meal entertainment" for salary packaging purposes?

"Meal entertainment" consists of food and drink consumed in a social/entertainment setting. There must be an element of 'entertainment' attached to the consumption of the food and drink.

Entertainment by way of food and drink

The Australian Taxation Office ("ATO") has issued Taxation Ruling TR 1997/17 that outlines its interpretation of the meaning of entertainment by way of food and / or drink, using tests regarding where, what, why and when the food or drink was provided. One must consider these factors to determine whether, on balance, the food and/or drink constitutes entertainment.

The 'What Test': The more elaborate the meal, the more likely it is entertainment (e.g. a 3 course meal with alcohol). The simpler the food/drink the more likely it is merely sustenance (e.g. sandwiches during a business lunch).

The 'Where Test': Meals provided on the business premises are more likely to be sustenance. Meals provided off the business premises are more likely to be entertainment.

The 'Why Test': Food and drink provided at a social gathering is likely to be entertainment. Food and drink provided due to the time of day for sustenance purposes is less likely to be entertainment.

The 'When Test': Food and drink provided outside work hours is more likely to be entertainment. Food and drink provided during work hours is more likely to be merely sustenance.

"Meal Entertainment" can include:

- food and drink at a wedding, 21st birthday party, engagement party, or similar;
- restaurant meals and drink (dine-in only); and
- catering costs (food and drink) for a social function/party, invoiced by a caterer.

"Meal entertainment" does not include:

- general groceries for day to day needs/supermarket bills;
- sporting tickets and theatre tickets;
- takeaway meals;
- morning or afternoon teas;
- light meals/refreshments in the context of a working lunch;
- food and drink consumed where an employee is travelling (with an overnight stay) in the course of performing employment related duties;
- purchase of alcohol from liquor outlet; or
- food and drinks purchased from in-house cafeterias.

Allowable Travel

Travel costs may sometimes fall within the definition of “meal entertainment”; i.e. where it is travel in connection with, or for the purpose of facilitating, entertainment by way of food or drink.

Therefore, the cost of travel that is undertaken by an employee (and associates) in order to attend a meal entertainment event will be included in the cost of the meal entertainment itself and may be salary packaged by the employee as meal entertainment.

This would include, for instance, taxi travel to and from a restaurant or other meal entertainment function.

FBT Exempt Employers

Employees of ‘exempt’ employers are able to salary package their Meal Entertainment expenses tax free ‘on top’ of their normal tax free limit. There is no limit as to how much you can salary package for this item; it is determined by the amount of each employee’s personal ‘Meal Entertainment’ expenses.

You do not have to spend your Meal Entertainment salary packaged amounts every pay day or even every year! You can elect to save up your deductions for a large expense such as an overseas holiday.

How to salary package Meal Entertainment?

The meal expenditure to be packaged must be incurred by the employee or associate (eg. spouse, family member) either solely or jointly.

Employees will be responsible for ensuring that any meal entertainment packaged falls within the above definitions, and must sign a declaration to this effect as part of their request to salary package.

Setting Up Your Meal Entertainment Salary Packaging Arrangements

Selectus will provide you with a Selectus Visa Card which will allow you to pay for your Meal Entertainment expenses anywhere in the world where Visa Card is accepted.

Simply call **Selectus on 1300 132 792** and tell the Selectus consultant your name and the name of your employer and how much you would like to salary package each pay period.

You will be asked to complete a Meal Entertainment card application form and return it to Selectus. If you are a new client to Selectus, you will also fill out a Client Details form.

Once Selectus have received your application form, deductions will commence from your salary and the deductions deposited on to your Selectus Visa Card each pay period.

You can check your card balance by using any ANZ auto teller, by going online or by calling a 1300 number.

It’s that simple!

What if for some reason I can’t use my Selectus card?

Simply pay for the expense yourself and post the tax invoice for the payment to Selectus with a claim form and Selectus will reimburse you the expense in to your private bank account

Why should I salary package “Meal Entertainment”?

Packaging meal entertainment costs will allow you to pay for these expenses ‘tax free’, rather than paying for them in ‘after tax’ dollars!

Meal Entertainment expenses are NOT reportable on the employee’s Payment Summary and, due to the reduction in taxable income, may therefore increase the employee’s eligibility for certain government benefits and concessions.

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Example (Indicative only) FBT exempt employer Gross Annual Taxable Income \$45,000

Tom Browne works for an exempt employer. His taxable income is \$45,000 gross per annum. Tom would like to salary package \$300 per fortnight (\$7,800 per annum) for Meal Entertainment expenses.

When not salary packaged, Tom would have to pay for these items from after tax dollars. In Tom's case he would pay 31.5% tax on his salary, meaning he would need to gross \$11,386 to net the \$7,800.

When salary packaged, Tom would pay for the \$7,800 expenses from gross salary. Given the employer cannot claim an input tax credit on these expenses, the gross cost to salary package this item will be \$7,800.

The benefit for the employee to salary package this item is:

\$11,386 (gross cost if paid from after tax salary) minus
\$ 7,800 (gross cost if salary packaged)

\$ 3,586 gross benefit yearly from salary packaging (\$2,456 net of tax benefit)

If the employee was paying tax at a higher rate of 38.5% (\$80,001 to \$180,000 taxable income), the benefit would be:

\$12,683 (gross cost if paid from after tax salary) minus
\$ 7,800 (gross cost if salary packaged)

\$ 4,883 gross benefit yearly from salary packaging (\$3,003 net of tax benefit)

If the employee was paying tax at the highest rate of 46.5% (over \$180,000 taxable income), the benefit would be:

\$14,579 (gross cost if paid from after tax salary) minus
\$ 7,800 (gross cost if salary packaged)

\$ 6,799 gross benefit yearly from salary packaging (\$3,637 net of tax benefit)