

Salary Packaging of Meal Entertainment

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Salary Packaging of Meal Entertainment

Salary packaging arrangements make legitimate use of concessions that have been specifically included in the Commonwealth Fringe Benefits Tax legislation to provide assistance to public hospitals, public ambulance services and public benevolent institutions in recruiting and retaining staff.

Meal Entertainment has been added to the list of approved benefits for salary packaging by your employer.

From 1 April 2016 a grossed up cap of \$5,000 applies for salary sacrificed Meal Entertainment benefits. This means that employees of public and not for profit hospitals, public ambulance services, public benevolent institutions and health promotion charities who are eligible to salary package may also choose to salary package up to \$2,649 of Meal Entertainment benefits.

Meal entertainment is a reportable fringe benefit, required to be included on an employee's annual payment summary. It is important that you understand the implications of Reportable Fringe Benefits (RFB) prior to Salary Packaging. RFB are not subject to income tax or Medicare Levy but may be taken into account for certain government surcharges and income tests such as Child Support obligations, HECs/HELP payments, Medicare Levy Surcharge etc. As such Prosperity always recommend that you seek independent financial advice before Salary Packaging to ensure you understand if salary packaging will affect your individual circumstances.

The benefit is part of superable salary.

Definition of Meal Entertainment

Section 37AD of the Fringe Benefits Tax Assessment Act 1986 defines the term "Meal Entertainment" as:

- (a) entertainment by way of food or drink; or*
- (b) accommodation or travel in connection with, or for the purpose of facilitating, entertainment to which paragraph (a) applies; or*
- (c) the payment or reimbursement of expenses incurred in providing something covered by paragraph (a) or (b)*

Business Rules

- Meal Entertainment is defined as the "*provision of entertainment by way of food or drink*". It includes food and drink purchased at a restaurant or attendance at a social gathering or consumed with other forms of entertainment. The meals and drinks (including those of guests with the eligible employee) do not have to be related to your employment.
- Accommodation or travel "*in connection with, or for the purpose of facilitating*", Meal Entertainment e.g. taxi charges, overnight stay in the city to attend the function, etc, are an allowable part of this benefit. Accommodation and/or travel costs for holidays or any other recreational purpose do not meet the criteria of "*in connection with*" and are not allowed.
- Claiming of expenditure on the provision of take away food and drink or food and drink consumed at home solely for the purpose of sustenance, is not allowed.
- While Meal Entertainment includes alcoholic beverages and other drinks, it is required that they be consumed in conjunction with a meal.

- Invoices/receipts must identify the restaurant/ café/ function centre/ caterer. Prosperity need to be satisfied that the employee paid the account. A simple receipt without any details is not proof of Meal Entertainment.
- Food and drink provided during work time or overtime on the employer's premises, or while an employee is travelling as part of their employment duties is not considered to be Meal Entertainment.
- Meal Entertainment claims will be paid in arrears on production of detailed invoices/receipts (see above) for food and drink provided in a function room, hotel or restaurant (including restaurant chains), cafés and other appropriate settings where eligible employees can entertain their family and/or friends.
- Meal Entertainment can also be paid by way of a meal entertainment benefit card. The card will be restricted for Meal Entertainment costs only. Documentation must also be detailed enough to clearly identify the benefit being obtained.
- A minimum invoice value of \$15.00 is required before an item can be claimed under Meal Entertainment.

What is Meal Entertainment? Examples

In determining whether or not something is Meal Entertainment, there are four (4) things to consider:

- i. Why is the food or drink being provided? Food or drink for refreshment or sustenance is not generally Meal Entertainment. Food or drink provided for enjoyment in a social setting would be Meal Entertainment.
- ii. What food or drink is being provided? The more elaborate the food or drink, the more likely it is to be Meal Entertainment.
- iii. When is the food or drink being provided? Food or drink provided during working hours is unlikely to be Meal Entertainment.
- iv. Where is the food or drink being provided? Food or drink provided in hotels, restaurants, cafés, coffee shops, etc, is more likely to be Meal Entertainment. Food or drink provided on the employer's premises is unlikely to be Meal Entertainment.

Examples	Meal Entertainment? Yes/No
Dinner/lunch/breakfast at a restaurant for employee and family/friends.	Yes
Dinner/lunch/breakfast at a café for employee and family/friends.	Yes
Dinner/lunch/breakfast at a fast food restaurant for employee and family/friends.	Yes
Coffee and cake with friends at a café.	Yes
Professional catering costs for a private function (e.g. wedding or 21 st birthday party).	Yes
Purchases of food or drink for a party, e.g. food and drink costs for birthday party held at home (special rules apply - see "Self Catered Function Claim Form").	Yes
Taxi travel to restaurant/venue for Meal Entertainment. The meal cost must also be included in the claim.	Yes
Travel and accommodation costs where the purpose of the travel was for Meal Entertainment e.g. travel to the city and overnight stay for a celebratory dinner. The meal cost must also be included in the claim.	Yes
Any meal for one person only.	No
Drive through or take away at a fast food restaurant.	No
Take away from a restaurant or café.	No
Purchases of food or drink for general consumption at home.	No
Travel and accommodation costs where the purpose of the travel was for more than Meal Entertainment e.g. travel to the city and overnight stay to see a show and have a special dinner.	No
Travel and accommodation costs for holidays, e.g. week on Gold Coast dining out every day.	No
Holiday or cruise where fare includes all meals.	No
Travel and accommodation for recreational purposes, e.g. Brisbane for a State of Origin match.	No
Travel and accommodation to attend a wedding dinner as a guest (presented a gift but did not specifically pay for the meal).	No
Admission cost to theatres, movies, sporting or cultural events.	No
A package where food or drink is included but is not the primary purpose, e.g. harbour cruise with morning tea provided.	No
Drink only including purchases for consumption at BYO restaurant.	No
Bill less than \$15.00.	No
Meals and drink while travelling on business.	No
Lunch consumed at work on a work day.	No

The above is a guide only, not a comprehensive list.

Available Methods for Salary Packaging Meal Entertainment

Meal Entertainment may be salary packaged via reimbursement on the production of appropriate substantiation, via a Meal Entertainment Benefit Card or a combination of both.

Meal Entertainment Card

The Meal Entertainment card is a Debit card which can be used to pay for eligible Meal Entertainment expenses. The employee nominates a set amount of money to be transferred to the card account each pay period. When dining out, the card is used to pay for the meal and the expense is automatically deducted from the available balance.

The following responsibilities / rules apply to the card:

- Employees must ensure cards are kept in a secure location.
- Employees must ensure all cards are signed immediately upon receipt.
- All purchases must be made in accordance with the Salary Packaging Policy and relevant Taxation Legislation.
- Receipts must be kept by the employee as audits may be performed.
- Any unspent balances will be returned to the employee after PAYE tax has been deducted on request.

The following restrictions must be adhered to at all times:

- No credit is provided. An employee can only spend up to the balance on their card at any given time.
- Employees will agree and declare to only use the card to pay for Meal Entertainment expenses.
- The card cannot be used to obtain cash or for periodic payments.
- The card cannot be used to establish direct debits.
- Amounts can only be paid onto the card by the employer.

Random checks will be conducted throughout the year to ensure the card has only been used for Meal Entertainment expenses. Sanctions will apply for non compliance, for example, cancellation of the card; removal from salary packaging arrangements, etc.

Manual Reimbursement

Meal Entertainment claims will be paid in arrears on production of proof of expenditure in accordance with the earlier described rules.

Employees will be required to sign a declaration that the expenditure was incurred by them in accord with the business rules listed earlier in this document and that they have not been reimbursed by any other entity or person.

The minimum value of any ad hoc reimbursement claim is \$200.00 and there is an administration fee for each claim submitted.

The minimum value of any invoice that can be included in a claim is \$15.00.

Administration

Salary packaging of Meal Entertainment will be administered by Prosperity Salary Packaging.

Meal Entertainment Card

- Annual Community Sector Banking card administration fee of \$66.00 (inc GST), debited directly from the card by Community Sector Banking in monthly instalments.
- Where the Meal Entertainment Card is the only benefit packaged, the minimum salary packaging administration fee applies.

Meal Entertainment - Manual Claims

- An administration fee for ad hoc expense reimbursements is chargeable. Please refer to your Salary Packaging Information Guide.