

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

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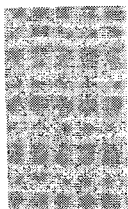
TAXATION LAWS AMENDMENT (FBT COST OF COMPLIANCE)  
BILL 1995

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SUPPLEMENTARY EXPLANATORY MEMORANDUM

(Circulated by authority of the Treasurer,  
the Hon Ralph Willis, MP)





## **General outline and financial impact**

### **Entertainment**

Amends *item 6 in Schedule 1* to confine the entitlement to a deduction under section 51AEA to employers who have provided meal entertainment fringe benefits.

*Financial impact:* Nil.

### **Living-away-from-home benefits**

Removes the proposed living-away-from-home provisions contained in Schedule 2.

*Financial impact:* Nil.





## ***Explanation of the amendments***

These amendments make minor changes to *Schedule 1* of the Bill to correct drafting oversights and remove the proposed living-away-from-home provisions contained in *Schedule 2*.

### **Amendments 1 and 2: Income tax deductions under 50/50 split method for meal entertainment**

These amendments concern the income tax deduction under new section 51AEA in the *Income Tax Assessment Act 1936* for employers who elect to use the 50/50 split method for calculating the taxable value of meal entertainment fringe benefits. As currently drafted, new section 51AEA would allow any employer a deduction for 50% of expenses for meal entertainment even though the employer does not incur an FBT liability in respect of the entertainment.

The purpose of the 50/50 split method is to simplify calculations and record keeping requirements for employers who provide meal entertainment benefits to both employees and non-employees by providing a simple, arbitrary method of apportionment for expenses between employees and non-employees. It was never intended to apply to employers who provide meal entertainment benefits only to non-employees.

The amendments will confine the entitlement to a deduction under section 51AEA to employers who have provided meal entertainment fringe benefits (i.e., arising from meal entertainment provided to employees). This will ensure that an employer is entitled to a deduction of 50% of meal entertainment expenses only where an employer has incurred an FBT liability in relation to meal entertainment fringe benefits.

### **Amendment 3: Living-away-from-home benefits**

This amendment removes the proposed living-away-from-home provisions contained in *Schedule 2*.







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