

Gifts and Small Incentives

- Broad Criteria
 - Taxation Department Determinations
 - Examples of Gifts
 - Fringe Benefits Tax
 - Summary
-

This guideline is provided to assist managers when using gifts and small incentives to reward or recognise employees for exceptional performance or above normal expectations. The guidelines identify fringe benefits tax implications associated with the provision of gifts and small incentives to employees.

Gifts and small incentives for employees that are under \$300 in value and are not frequently provided may be classed as a minor benefit by the Australian Taxation Office (ATO). A minor benefit is exempt from fringe benefits tax.

If a gift or small incentive is not defined as minor they are an expense benefit and subject to fringe benefits tax. The ATO does not provide a precise definition but they do provide examples of what may or may not be classed as a minor benefit.

BROAD CRITERIA

If a chosen gift or small incentive is not clearly covered in the following section, further advice can be sought from the Finance Unit.

The criteria for deciding if a gift or small incentive falls into the ATO's description of a minor benefit should be based on the following:

- The frequency and regularity with which similar or identical benefits are provided. For example, the more frequent and regular a benefit is provided, the less likely it is to qualify as an exempt benefit.
- The greater the cumulative value of the gift or small benefit over a year, the less likely it will qualify as an exempt benefit.
- The circumstances in which the minor benefit and any associated benefits were provided and if it could be considered principally as being in the nature of remuneration.

Managers will need to take into account the effect fringe benefits tax may have on their cost centre.

TAXATION DEPARTMENT DETERMINATIONS

Guidance as to how the criteria applies in practice can be obtained by reference to the following examples which are taken from the two Taxation Determinations (TD 93/197 and TD 93/76) and section 58P of the Fringe Benefits Act:

1. It is common practice for employers to give employees gifts at Christmas time. A single gift to each employee at Christmas time of, say, a bottle of whisky or perfume would be an exempt minor benefit, provided the value of each was modest. However, if some employees were given a range of gifts of which only some were of modest value, e.g. expensive art works, food hampers and wine, it would be necessary to look at the package of associated benefits rather than each individual item.
2. The occasional use of an employer's vehicle by an employee for a special purpose such as rubbish removal or for travel from home to work during a transport strike are exempt benefits provided the employee in question did not have a general entitlement to use the vehicle for private purposes.
3. A one-off loan of a four-wheel drive vehicle to enable an employee to travel cross-country during an extended annual holiday break may not be exempt because the actual value of such a benefit is not small. The value would be determined by the cost of hiring such a vehicle for the time required.

EXAMPLES OF GIFTS

Examples of gifts provided to employees that may qualify as a minor benefit:

- Stationery that an employee is permitted to use for private purposes.
- The use of office staff to type essays or assignments.
- Flowers to the value of \$40 sent to an employee on the birth of his or her child is an exempt minor benefit as it is a singular event.
- Gift baskets not exceeding \$300.
- A University corporate gift to the value of \$300.

Examples of a gift or small incentive not classed as a minor benefit:

- Redeemable vouchers awarded to staff on a regular basis as an ongoing incentive scheme, due to the frequent nature.
- Flowers sent to a member or members of staff on a frequent or regular basis.
- A pram valued at \$500 provided to an employee on the birth of his or her child is not an exempt minor benefit as the notional taxable value is not small.
- Gifts for monthly improved or additional labour or a monthly sales incentive award are not minor benefits due to the frequency of the gifts.
- Meals & morning tea activities are classed as entertainment expenses and subject to FBT.
- Movie passes provided on an ad hoc basis.

FRINGE BENEFITS TAX

It is important to note that should a benefit attract FBT, the respective cost centre will be charged this cost. Please note, where FBT is attracted the total expense may be doubled.

Fringe Benefits Tax is calculated on the taxable value of the benefits provided and is payable by the University. The taxable value is the gift or small incentive plus any associated benefits that may also be provided with it. For example, an 'accommodation package' may also include the travel fares, meals, and telephone calls; therefore, the total amount becomes the taxable value.

SUMMARY

Rewards and recognition of a monetary nature should be in line with ATO guidelines, they should be irregular in nature and no higher than \$300 in value per individual. Whilst tangible monetary rewards or benefits should not be regular, the reason for the reward and type of reward should be consistently applied.

Recommendations should be submitted to the manager of the relevant Research Institute, Academic or Central Unit and rewards should be for exceptional performance or above normal expectations. Where a gift/small incentive attracts a FBT, approval must be sought from the Chief Operating Officer (COO) or Chief Financial Officer (CFO) [Vice Chancellor's Authorisations (VCA) 6.17.d] Framework. It is also recommended that before rewards are applied, advice is sought from external parties, for example People, Talent and Culture, Finance and Executive Deans.

It is important to remember that all rewards and recognitions of the nature described in these guidelines should be consistent in their application but not regular in frequency.