



## December 2025 Octopus Accounting & Tax Newsletter



### Office Closure

We will be closed from **5:30 PM on Friday, 19 December 2025**, and will **reopen on Tuesday, 6 January 2026**.

For any urgent matters during this period, please don't hesitate to reach out by emailing

[info@octopusaccounting.com.au](mailto:info@octopusaccounting.com.au)  
or calling 02 9660 2222.

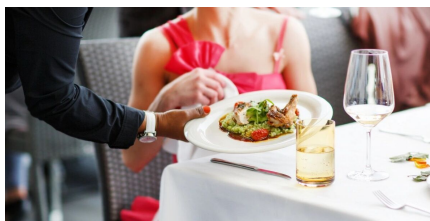
As we bid farewell to 2025 and welcome 2026, we want to express our heartfelt gratitude to our incredible clients. Thank you for your continued trust and support throughout the year.

We're excited to work with you in 2026 and wish you a joyful holiday season and a fantastic New Year!

### Year-end (and other) staff parties

With the well earned December/January holiday season on the way, many employers will be planning to reward staff with a celebratory party or event.

However, there are important issues to consider, including the possible FBT and income tax implications of providing 'entertainment' (including Christmas parties) to staff and clients.





## FBT and Entertainment

Under the FBT Act, employers must choose how they calculate their FBT

meal entertainment liability, and most use either the 'actual method' or the '50/50 method', rather than the '12-week method'.

### Using the actual method

Under the actual method, entertainment costs are normally split up between employees (and their family) and non-employees (e.g., clients).

Such expenditure on employees is deductible and liable to FBT. Such expenditure on non-employees is not liable to FBT and not tax deductible.

### Using the 50/50 method

Rather than apportioning meal entertainment expenditure on the basis of actual attendance by employees, etc., many employers choose to use the more simple 50/50 method.

Under this method (irrespective of where the party is held or who attends) 50% of the total expenditure is subject to FBT and 50% is tax deductible.

However, the following traps must be considered:

- even if the function is held on the employer's premises – food and drink provided to employees is not exempt from FBT;

- the minor benefit exemption\* cannot apply; and

- the general taxi travel exemption (for travel to or from the employer's premises) also cannot apply.

### (\*) Minor benefit exemption

The minor benefit exemption provides an exemption from FBT for most benefits of 'less than \$300' that are provided to employees and their associates (e.g., family) on an infrequent and irregular basis.

The ATO accepts that different benefits provided at, or about, the same time (such as a Christmas party and a gift) are not added together when applying this \$300 threshold.

However, entertainment expenditure that is FBT-exempt is also not deductible.

Editor: 'Less than' \$300 means no more than \$299.99! A \$300 gift to an employee will be caught for FBT, whereas a \$299 gift may be exempt.

### Example: Christmas party

An employer holds a Christmas party for its employees and their spouses – 40 attendees in all.

The cost of food and drink per person is \$250 and no other benefits are provided.

If the actual method is used:

For all 40 employees and their spouses, no FBT is payable (i.e. if the minor

For all 40 employees and their spouses – no FBT is payable (i.e., if the minor benefit exemption is available), however, the party expenditure is not tax deductible.

If the 50/50 method is used:

The total expenditure is \$10,000, so \$5,000 (i.e., 50%) is liable to FBT and tax deductible.



## Christmas gifts

With the holiday season approaching, many employers and businesses want to reward their staff and loyal clients/customers/suppliers.

Again, it is important to understand how gifts to staff and clients, etc., are handled

'tax-wise'.

Gifts that are not considered to be entertainment

These generally include a Christmas hamper, a bottle of whisky or wine, gift vouchers, a bottle of perfume, flowers or a pen set, etc.

Briefly, the general FBT and income tax consequences for these gifts are as follows:

gifts to employees and their family members – are liable to FBT (except where the 'less than \$300' minor benefit exemption applies) and tax deductible; and

gifts to clients, suppliers, etc. – no FBT, and tax deductible.

Gifts that are considered to be entertainment

These generally include, for example, tickets to attend the theatre, a live play, sporting event, movie, etc, a holiday airline ticket, or an admission ticket to an amusement centre.

Briefly, the general FBT and income tax consequences for these gifts are as follows:

gifts to employees and their family members – are liable to FBT (except where the 'less than \$300' minor benefit exemption applies) and tax deductible (unless they are exempt from FBT); and

gifts to clients, suppliers, etc. – no FBT and not tax deductible.

Non-entertainment gifts at functions

Editor: What if a Christmas party is held at a restaurant at a cost of less than \$300 for each person attending, and employees are given a gift or a gift voucher (for their spouse) to the value of \$150?

Actual method used for meal entertainment

Under the actual method no FBT is payable, because the cost of each separate benefit (being the expenditure on the Christmas party and the gift respectively) is less than \$300 (i.e., the benefits are not aggregated).

No deduction is allowed for the food and drink expenditure, but the cost of each gift is tax deductible.

50/50 method used for meal entertainment

Where the 50/50 method is adopted:

50% of the total cost of food and drink is liable to FBT and tax deductible; and

in relation to the gifts:

– the total cost of all gifts is not liable to FBT because the individual cost of each gift is less than \$300; and

– as the gifts are not entertainment, the cost is tax deductible.

We understand that this can all be somewhat bewildering, so if you would like a little help, just contact our office.

### **Why Choose Octopus Accounting & Tax**



At Octopus Accounting & Tax, we combine technical expertise, proactive service, and a genuine commitment to helping our clients succeed.

### **Broad and Diverse Client Base**

From individuals and small businesses to SMSFs, trusts, and complex corporate groups, we have advised on virtually every tax and accounting scenario. Whatever your circumstances, you can feel confident that we've handled similar situations before—and delivered results.

### **Specialist Advice and Complex Solutions**

We go far beyond routine compliance. Our team regularly assists with advanced tax planning, structuring strategies, and private rulings, ensuring your affairs are managed efficiently and effectively.

### **Personalised, Consultative Service**

We take the time to walk you through the pros and cons of your options, so you fully understand the implications before making decisions. Whether over the phone, in person, or by email, we tailor our advice to your needs and support your business every step of the way.

### **Experienced Team You Can Trust**

### **Experienced Team You Can Trust**

Your work will be handled by a dedicated team that includes:

Partners (CPA, CA)

Principal Accountant (CPA)

Senior Accountants (CPA, CA)

Junior Accountants and Bookkeepers

Administration Support

**All senior staff and above have at least 15 years of practical experience in accounting and taxation.**

### **Commitment to Knowledge and Quality**

We invest heavily in professional development and continuous learning, so you receive advice based on current legislation and best practice. Our team is committed to improving efficiency and raising the quality of our work year after year.

### **Registered and Qualified**

We are fully accredited as a Registered Tax Agent with the Tax Practitioners Board (TPB) and an ASIC Registered Agent, giving you peace of mind that your compliance obligations are in expert hands.

When you choose Octopus Accounting & Tax, you choose a **knowledgeable**, **responsive**, and **forward-thinking** team focused on adding value and making your life easier.

### **Our Team**

<https://octopusaccounting.com.au/our-team>

If you need assistance with any of the above, please contact our office at 02 9660 2222 or use the below link to book time with Alvin Zhang directly.

<https://outlook.office365.com/book/OctopusAccountingTax@NETORGFT13705307.onmicrosoft.ismsaljsauthenabled=true>



Tax agent  
26157328



**Kind regards,**

Alvin Zhang

**CPA, CGMA, ACMA, MPACC (Macquarie Uni), Registered Tax Agent**

***Principal***

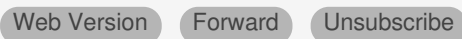
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