

## PLANNING FOR CHRISTMAS

---

This article is a reminder to you regarding your obligations for the Christmas Break.

### **Paying Staff**

For those of you who employ staff here is a quick reminder about Holiday Pay and Statutory Holidays.

The official Statutory Holidays are:

- Christmas Day & Boxing Day, Saturday 25<sup>th</sup> and Sunday 26<sup>th</sup> December
- New Years Day and the day after, Saturday 1<sup>st</sup> and Sunday 2<sup>nd</sup> January

Note: If the employee would normally have worked on the Saturday/Sunday, the Public Holiday is observed on the Saturday/Sunday. If the employee would not normally have worked on the Saturday/Sunday, the Public Holiday is observed on the following Monday/Tuesday.

All current employees who go on leave are legally entitled to be paid in full for each of these days prior to going on leave.

If you ask them to work on any of these days then they will also be entitled to 1.5 times ordinary pay 'as well as' a Day in Lieu. This means that they can take another day as a holiday and be paid for it. You cannot contract out of this requirement even if you offer to pay double or triple pay for working on a Public Holiday.

Part time employees who regularly work on the same days as Public Holidays are entitled to pay for those days in proportion to the number of hours they work x 1.5 ordinary pay e.g. Joe works 5 hours each Friday & Saturday. Therefore over the holiday period Joe is entitled to 5 hours pay at x 1.5 for Saturday as well as 5 hours deferred leave on a future working day.

Days in lieu that have not been taken within 12 months of the days being "earned" may be "cashed up" if mutually acceptable to the employer & employee.

### **Annual Holiday Pay**

Employees are entitled to a minimum of 4 weeks pay for every 12 months of service (8% of gross or in proportion thereof). The pay rate to use for Holiday Pay shall be the greater of:

1. The average weekly gross earnings for that employee over the year (incl. overtime), or
2. The latest ordinary weekly pay (excl. overtime).

The employee must be paid before taking leave unless they agree to be paid on the following normal pay day.

### **Entertainment Tax**

The entertainment tax provisions operate to only allow a 50% tax deduction for specified types of entertainment expenditure. The main category of expenditure relevant to Christmas entertainment is food & beverages. There are numerous exceptions from the entertainment tax regime but these are unlikely to apply to most cases of Christmas entertainment.

Staff Christmas Party – The cost of the food & drink for a staff party, as well as incidental expenditure relating to such matters as waiting staff, hireage of crockery, glassware or utensils, and music or other entertainment, will be 50% non-deductible for income tax purposes. This applies whether the party is held on or off the business premises.

Christmas Lunch/Dinner for Colleagues – The cost of taking colleagues out for an end-of-year lunch or dinner will generally be 50% non deductible.

Gifts of Food or Wine to Colleagues – The cost of gifting food or wine to colleagues will generally be 50% non deductible for tax purposes.

Gifts of Food or Wine to Staff – The cost of gifting food & wine to staff will be fully deductible for tax purposes, provided FBT is payable on the gifts. If no FBT is payable, the cost of the gifts will be 50% non deductible.

In most cases, employees will be able to choose when to consume the food or wine, therefore the gifts will constitute fringe benefits. However, the \$300 per employee per quarter FBT exemption may apply. The exemption is non-cumulative and only applies where the total value of such benefits for all employees does not exceed \$22,500 per annum.

Other Gifts to Staff- Generally, the cost of gifts (other than food or beverages) to staff will not fall within the entertainment provisions and will be fully deductible. However, in the majority of cases, the gifts will constitute fringe benefits. The \$300 per employee per quarter FBT exemption may apply.

Other Gifts to Colleagues – The cost of gifts (other than food or beverages) to colleagues will generally be fully deductible for tax purposes.

Cash Bonuses for Staff – Cash bonuses are taxable to the employees. PAYE must be deducted at the extra pay (previously “extra emolument”) rate.

## **Security Issues**

For businesses that close other commonsense considerations over Christmas are:

- Ensuring that mail is collected & cheques are banked (or held until your return)
- Security for your premises – notify your monitoring service provider
- Diverting your telephones to a message service
- Advising your clients when you will be available and leaving emergency contact numbers for customers, staff and the security company