



Policy costing

Remove the Fringe Benefits Tax on Entertainment Expenses Provided to Staff	
Person/party requesting the costing:	Senator Gerard Rennick, Gerard Rennick People First
Date costing completed:	30 April 2025
Expiry date of the costing:	Release of the next economic and fiscal outlook report
Status at time of request:	Submitted outside the caretaker period
	<input type="checkbox"/> Confidential <input checked="" type="checkbox"/> Not confidential
<p>Summary of proposal:</p> <p>The proposal would remove the Fringe Benefits Tax (FBT) on entertainment expenses (including meals) provided to staff.</p> <p>Policy start date 1 July 2025.</p>	

Overview

The Parliamentary Budget Office (PBO) has determined that the estimated financial impact of this proposal is unquantifiable due to large uncertainties in the behavioural responses of businesses and individuals (Table 1). The uncapped nature of the possible claims, the broad nature of the items that can be claimed and, that this policy is open to all businesses are all factors that make this both likely to be heavily used, impact behaviour and create substantial tax loopholes that are open to abuse.

The extent to which large and profitable businesses will increase spending on meals and entertainment for employees, both as a retention mechanism and as an increase to employee remuneration incentives, could be significant. Additionally, significant uncertainty exists in regard to the extent that individuals would be able to enter into salary sacrificial arrangements for meal and entertainment expenses to minimise income taxes.

The proposal would be expected to have large negative financial impacts on fiscal and underlying cash balance and would result in reductions in FBT receipts, company income tax receipts, goods and services tax (GST) receipts, GST payments to the states and territories and personal income tax receipts.

Table 1: Remove the Fringe Benefits Tax on Entertainment Expenses Provided to Staff – Financial implications (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	*	*	*	*	*
Underlying cash balance	*	*	*	*	*

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

* Unquantifiable – not included in totals.

Uncertainties

Costings related to payments in kind and fringe benefits are particularly challenging owing to several factors, mostly related to estimating the size of the affected population and the extent to which the benefit will be provided.

Considering this costing, while we know how many businesses currently report meal and entertainment expenses for FBT¹, we do not know how many additional businesses of the 939,000 pay as you go withholding reporting businesses² would purchase meals and entertainment (and/or allow salary sacrificing of these items, where existing exemptions exist for the not for profit and public hospital sectors around 40% of employees utilise³) if these expenses were exempt from FBT. The behavioural responses of businesses and individuals are highly uncertainty and significantly sensitive to the proposal.

Similarly, estimating the total amount of meals and entertainment that all businesses would provide employees is particularly challenging, unlike small and medium businesses that are limited by profitability, large and very large profitable businesses have the capacity to spend large sums of money on employees. The extent to which they would want to trade off shareholder profits for employee benefits is speculative in nature.

These kinds of costings are therefore subject to a very large margin of uncertainty which, depending on the specification of the proposal, may be so large to be considered as unquantifiable. In this case, we have not quantified the impact of this proposal.

Data sources

Australian Taxation Office (2023) [Minor benefits exemption](#), Australian Taxation Office. Accessed 29 April 2025.

Australian Taxation Office (2024) [Taxation statistics 2021-22](#). Accessed 29 April 2025.

Commonwealth of Australia (2024) [2024-25 Mid-Year Economic and Fiscal Outlook](#), Commonwealth of Australia.

Commonwealth of Australia (2024) *Pre-election Economic and Fiscal Outlook 2025*, Commonwealth of Australia.

¹ [Fringe benefits tax statistics | Australian Taxation Office](#)

² [Pay as you go statistics | Australian Taxation Office](#)

³ [Taxation Statistics 2021-22 - Charities - Table 2 - data.gov.au](#)