

Request for advice from Senate Economics Committee – Schedule 7 of Tax Laws Amendment (2004 Measures No.1) Bill 2004

The Committee requested advice on the basis for limiting the deductions provided for in Schedule 7 to individuals.

For businesses, expenditure such as that envisaged under the Schedule, falls for consideration under the general deduction provisions of the income tax law. Specifically, expenditure necessarily incurred in carrying on a business is already deductible under section 8-1 of the *Income Tax Assessment Act 1997*.

- Costs of corporate sponsorships of functions and events, or the purchase by organisations of a large number of tickets to a fundraising event, may already be eligible to be claimed as a tax deduction as a business expense.
- Providing a deduction to a company for tickets purchased for a fundraising event could complicate other taxation issues.
 - If companies acquire tickets to a fundraising event and provide them to employees, it is a fringe benefit and is subject to fringe benefits tax (FBT). The value of the benefit and the FBT paid would be deductible to the company.
 - A deduction is currently denied for costs incurred in entertaining clients and allowing a deduction for client entertainment provided by a DGR could lead to pressure for such expenses to be deductible across the board.