



Hospitality and Official Functions

PURPOSE AND SCOPE	To provide guidelines for employees in complying with SunWater's policy and procedures in respect of expenditure on hospitality and official functions.
APPLICATION	This policy and guide applies to all SunWater employees and Directors.
KEY DEFINITIONS	<p>Accountability Being held responsible for a certain decision</p> <p>Delegations Levels of authority over approving purchase of goods and/or services</p> <p>Entertainment Declaration A supporting document including specific details of a particular event which should accompany a tax invoice</p> <p>Fringe Benefits Tax Tax paid by an employer on account of various non-cash benefits received by their employees</p> <p>Hospitality Provision of food and/or refreshments (including alcohol) and/or entertainment by SunWater for the benefit of its employees or other persons</p> <p>Tax Invoice A document prepared for tax purposes whereby the vendor requests or notifies of payment of goods and/or services (this is a mandatory document)</p> <p>Value for Money Achieving the desired outcome at the best possible price</p>
HOW TO USE THIS GUIDE	Where the symbol <input checked="" type="checkbox"/> appears in this guide, an action is described.
KEY POLICY PRINCIPLES	<p>It is recognised that in certain circumstances it will be necessary to incur expenditure on hospitality and official functions. All claims must, however, be kept within reasonable limits and accord with the high standard of accountability which the Government and public expect from all government entities. All expenditure must be fully documented, substantiated and accountable.</p> <p>In general, expenditure on hospitality and official functions is permitted where it facilitates the conduct of SunWater's business and delivers identifiable commercial and organisational benefits for the corporation and the State of Queensland. Expenditure must conform with the following key policy principles:</p>

- Corporate hospitality and entertainment expenditure must be for official purposes only and prior to approval must consider community standards and expectations.
- Documentation of expenditure and approval processes must be maintained to enable monitoring and review and meet all audit, corporate, accounting and taxation requirements. Documentation must specifically demonstrate the benefit to SunWater (or the State) that will result from the planned expenditure.
- Corporate hospitality and entertainment expenditure is to be authorised and approved by staff with the appropriate delegations as specified in SunWater's Financial Delegations Matrix.
- When planning and approving corporate hospitality and entertainment expenditure, consideration is also to be given to 'per head' expenditure (in addition to aggregate expenditure) to ensure reasonable limits for the type of event involved, are observed.
- All hospitality expenditure and official functions must be conducted with the aim of achieving value for money for SunWater.

EVENT CATEGORIES

Approved Forms of Official Hospitality

Approval may be given to incur official hospitality expenditure for the following purposes:

- Where there is a direct link to SunWater's business - entertaining clients or prospective clients, business partners or prospective business partners, or other interested parties or stakeholders (for example, suppliers or community groups).
- Provision of tea or coffee, morning tea, breakfast, lunch, dinner or similar refreshments for visitors to SunWater; or for informal staff gatherings including training.
- Attendance at a function for which a charge is made. On appropriate occasions, this may include partners of staff members.
- Working lunches for SunWater staff for the purpose of discussing work related matters during the meal, or where there are advantages in continuing a full day meeting through the normal meal break. The meal should normally be of a light nature at the work or meeting location and must not include the provision of alcohol.
- Occasional expressions of appreciation to staff members for outstanding efforts. It is expected that such expenditure will be reasonable and prudent.
- Office liquor facilities for small-scale entertainment. These are approved only for the positions of Chief Executive and General Manager. Senior management personnel with direct external client responsibilities may, from time to time and on a limited basis, be given approval for such facilities by their General Manager. When expenses

are incurred on office liquor facilities an Entertainment Declaration form must be completed and attached to the voucher or claim for reimbursement.

- SunWater's Annual Achievement Awards.
- Authorised social club events.

Approved delegated expenditure limits are documented within SunWater's Financial Delegations Matrix. Appropriateness of planned and actual expenditure must consider both aggregate and per head levels.

Forms of Hospitality Not Supported

Examples of expenditure not usually considered appropriate include:

- Club membership fees.
- The cost of providing dinners at an employee's residence.

The above list of items is included as a guide only and is not intended to be comprehensive.

Attendance of Staff at Official Functions

- The number of employees attending an official function should be restricted, comprising of only those able to advance SunWater's business through their attendance.
- Generally, the number of SunWater employees attending should represent a balanced proportion relative to the number of external guests.
- At times, due to the nature of functions or the external representatives who will be attending, it will be beneficial for partners of employees, directors or guests to also attend. Prior approval of the Chief Executive or General Manager will be required for attendance at such functions.
- As a general principle, SunWater employees should not entertain other SunWater employees at SunWater's expense. However, there are circumstances where it would be reasonable for SunWater to meet such costs. These may include the following:
 - Lunch for a potential senior appointee who has flown from interstate for a final interview.
 - A senior employee hosting a function attended by employees together with representatives of SunWater associated organisations.
 - An internal function held for a launch or marketing of significant issues or publications.
 - The entertainment of employees as an expression of appreciation for outstanding efforts.
- Managers approving this type of expenditure should ensure that such occurrences are limited.

Areas of Uncertainty

The above list is provided as a guide only. In situations where there is doubt about the validity of incurring particular expenditure, for example where it is not immediately clear that an activity or function relates to official duties, it would be prudent for it to be discussed with the Chief Executive or General Manager.

EXPENDITURE LIMITS

Expenditure limits have been established on both a 'per head' and aggregate basis.

Expenditure limits documented within this policy are to be read in conjunction with SunWater's Financial Delegations Matrix and provide additional guidance on hospitality and entertainment events. Expenditure on events totalling less than \$250, that is events that can be approved by Delegates A, B, C and Regional Business Development Managers, must still consider the appropriateness of expenditure per head in the context of the event or occasion. Relevant financial delegations are provided at Appendix B.

Expenditure above \$250 per single event can only be approved by the CEO and General Managers. For such events the following limits generally apply:

- Per Head Limit - \$150 for both internal staff events and events involving external stakeholders (community and industry groups and the like) – excludes incidentals (ie excludes airfares, accommodation and allowances incurred as a result of holding the event).
- Aggregate Limit - \$25,000 (any single event) – includes the total cost of incidentals.

Individual events may exceed these limits only with the prior approval of the Chief Executive Officer (per head limit) and the Board (aggregate limit).

RESPONSIBILITIES

Chief Executive, General Manager and Senior Manager

- Approve (in advance) planned events mindful of the key policy principles which are to be adhered to at all times. In particular, for single events exceeding \$5,000 in total, ensure event plans include details of the benefits to flow to both SunWater and the State of Queensland.
- Approve expenditure on hospitality and official functions in accordance with this policy and the approved Financial Delegations Matrix.
- Report on budgeted and actual hospitality and entertainment expenditure within SunWater's annual Statement of Corporate Intent and within quarterly reports to shareholding Ministers in accordance with this policy.

Manager, Credit and Services

- Ensure the administrative standard is effective and provides the necessary SunWater controls.
- Ensure this administrative standard is reviewed and updated to meet operational requirements.

Employees

- Ensure any hospitality and official functions are planned and undertaken in accordance with this policy.

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1. Approval of Expenditure:

- Expenditure associated with hospitality and official functions requires approval in accordance with the approved Financial Delegations Matrix.
- Alcohol for SunWater functions is only to be purchased through licensed alcohol dealers such as public bars and bottle shops. Alcohol is not to be purchased through social clubs, noting that the social club may charge for alcohol at authorised social club events.

2. Substantiation Requirements:

On submitting claims for payment of expenditure in respect of hospitality and official functions (including personal claims and direct invoices) the following details must be provided on the Entertainment Declaration form:

- Total number of participants
- Participants' names and organisation represented
- Number and names of SunWater employees and their associates (usually family members)

Also to be submitted as part of supporting documentation are details of identified commercial and organisational benefits that will accrue for the corporation and the State of Queensland.

3. Claim Requirements:

Each claim for reimbursement of funds expended should reconcile to any advance and be accompanied by the following:

- Tax invoice;
- Receipt.

These documents are to be attached to the direct invoice and completed Entertainment Declaration.

Use of Corporate Purchasing Cards for payment is outlined in related SunWater Standards.

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4. Fringe Benefits Tax

Fringe Benefits Tax may be payable by SunWater where expenditure is incurred by SunWater in the provision of entertainment to its employees or an associate of an employee.

Penalty tax may apply if an employee fails to declare entertainment expenditure correctly.

Entertainment is taken to mean the provision of any of the following, irrespective of their connection with business activities:

- Food;
- Drink;
- Recreational amusement, attendance at a sporting or cultural event, as well as those provided on a vehicle, vessel or aircraft. (ie sightseeing tours, harbour cruises);
- Accommodation or travel where they are provided in connection with entertainment in the form of food, drink and/or recreation.

Entertainment provided to employees by SunWater is likely to be within the following two broad categories:

- The provision of entertainment at lunches, meetings, seminars and conferences;
- The provision of entertainment whilst employees are travelling within Australia or overseas.

a) Lunches, Meetings, Seminars And Conferences

The provision of food and drink to employees at the above can be classified as:

- (i) Sandwiches, fruit platters, finger foods, tea, coffee, fruit juice, biscuits, etc;
- (ii) Sit down meals provided at hotels, restaurants, bistros and the like;
- (iii) Alcohol provided in connection with (i) and (ii).

The provision of (i) **does not constitute entertainment** and is not subject to FBT.

The provision of (ii) **may constitute entertainment** and may be subject to FBT

The provision of (iii) **will constitute entertainment** and is subject to FBT for the **total costs** involved. A small amount of alcohol immediately after an eligible seminar would not be subject to FBT.

b) Travel (Overseas And Domestic)

Employees who dine either alone or with another travelling employee whilst in the course of business are not incurring entertainment provided the meal consumed is not substantially greater than would be

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consumed at home. This includes the consumption of alcohol, provided it is at a level comparable to the employee's normal "at home" consumption of alcohol, for example a glass of wine or beer with a meal would be acceptable.

A meal paid for at a restaurant for persons other than associates will only be liable for FBT on the cost attributable to his or her portion of the total cost.

c) Exemptions

There are several forms of entertainment expenses that are exempt and not subject to FBT.

- Entertainment expenditure incurred by SunWater for promoting or advertising its services to the public at large. For example, a field day held by SunWater whereby the general public is invited to attend and several employees also attend. The expenditure is incurred in relation to the general public and therefore the cost for entertainment in respect of the employees is not subject to FBT.
- Entertainment expenditure paid to an employee as an entertainment allowance and included in the assessable income of the employee.
- The cost of providing meals on working days to employees in an "in-house" dining facility. An "in-house dining facility" means a canteen, dining room or similar facility that is located on the employer's premises, operated wholly or principally for providing food and drink on working days to employees and is not open to the public at any time.
- The cost of providing meals to employees working overtime.
- Non-entertainment costs **incidental to the provision of entertainment** – ie, the cost of a guest speaker or the cost of cleaning a function room after a conference.
- The cost of providing entertainment to a person incidental to that person's attendance at an **eligible seminar** such as a conference, lecture, meeting, speech, question and answer session, training session or educational course.

The requirements are that the **eligible seminar** must:

- Last for at least four continuous hours (excluding meal breaks);
- Not primarily be to promote or advertise a taxpayer or its goods and/or services;
- Not be primarily to provide entertainment;
- Not be primarily to enable the passing or receiving of information relating to, or discussions in relation to a particular

business unless the seminar is an exempt training seminar.

An **exempt training seminar** is a seminar which is:

- o Organised solely for either training employees in matters relevant to the employer's business or enabling employees to discuss general policy issues relevant to the internal management
- o Conducted on external premises such as a conference centre, hotel, restaurant etc.

Food and drink provided to staff at a conference dinner may also be exempt from FBT if the provision of such is **incidental** to the staff member's attendance and is not by way of recreation for that person. **This condition may be met where presentations etc relevant to the seminar form part of the dinner agenda.**

Entertainment costs do not include overall costs of a business seminar. The costs of printing and payments to a guest speaker would not be part of the entertainment costs.

See Appendix A for a summarised check list of entertainment expenses.

Queries regarding FBT payable on Hospitality and Official Functions are to be directed to the Taxation Manager on 07 3120 0016.

Employees incurring entertainment expenditure are to ensure that an Entertainment Declaration is completed and attached to the direct invoice or purchase order.

d) FBT Codes

There are three (3) FBT codes and employees completing an Entertainment Declaration must make sure they use the correct GL Account Code/s when completing the form.

The codes are:

52260 – Tax deductible – subject to FBT

52262 – Tax deductible – not subject to FBT

52263 – Not tax deductible – not subject to FBT.

Note: Expenditure that is coded to GL Account Code 52263 will result in that expense being non-tax deductible. Managers approving such expenditure will need to ensure that such expenditure is in accordance with this standard – Refer to Appendix A for an example.

e) Assistance

If assistance is required in completing the necessary FBT documentation associated with Hospitality and Official Functions, staff should contact SunWater's Tax Manager in Brisbane.

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RELATED REFERENCES	<p><i>Legislation</i></p> <p><i>Financial Administration and Audit Act 1977</i></p> <p><i>Financial Management Standard 1997</i></p> <p><i>Other References</i></p> <p>SunWater Code of Conduct</p>
REPORTING REQUIREMENTS	<ul style="list-style-type: none">• Annual budgeted expenditure for corporate entertainment and hospitality is to be documented within SunWater's annual Statement of Corporate Intent.• Details are to include total expenditure and individual commitments over \$5,000.• Notification of significant changes to budgeted corporate entertainment and hospitality commitments throughout any given year and actual expenditure amounts are to be included within SunWater's quarterly reports to shareholding Ministers. Quarterly reports are also to include details of individual events which cost over \$5,000 and the benefits accruing from them to the organisation and the State of Queensland.
REVIEW DATE	<p>Unless otherwise required, this policy will be reviewed annually, from the date of Board approval.</p>
FURTHER ASSISTANCE	<p>For assistance or advice on this policy and guide, please contact Taxation Manager on (07) 3120 0016 or Credit & Services on (07) 3120 0008.</p>



APPENDIX A
CHECKLIST OF ENTERTAINMENT EXPENSES
FOR TAXATION PURPOSES

	BENEFIT	DEDUCTION	FBT	COMMENT	GL ACCOUNT
1	Office liquor cabinet	Yes	Yes	All FBT	52260
2	Business meetings/ seminars/ conferences held off business premises				
(a)	Food and drink, including alcohol, reasonably incidental to attendance by employees at a 'seminar' included in the cost of registration (typically a training seminar)	Yes	No, otherwise deductible rule	'Seminar' is a meeting etc. that goes for at least 4 hours, excluding breaks, where the main purpose is not to: <ul style="list-style-type: none"> • promote the business; • provide entertainment. 	52258 (seminars and conferences)
(b)	Food and drink, including alcohol, included in the cost of a meeting which is not a 'seminar' that goes for 4 hours. e.g. a 2 hour breakfast or evening training session	Yes	No, otherwise deductible rule	Assumes seminar is educational e.g. part of a professional development program.	52258 (seminars and conferences)
(c)	Food and drink at seminar for accompanying spouses	Yes	Yes		52260
(d)	Food and drink at seminar for clients	No	No	e.g. client is a guest speaker	52263
3	Seminars held on business premises <i>See item 4 below Food and drink provided within local office</i>				
4	Food and drink provided within local office (no 'in-house dining facility')				
(a)	Morning/afternoon teas, light lunches, sandwiches without alcohol	Yes. Not regarded as entertainment.	No if consumed by employees or clients Yes if consumed by associates	Assumes meals consumed on business premises.	52262 (employees or clients) 52260 (associates)
(b)	Morning/afternoon teas, light lunches, sandwiches with alcohol	Yes if consumed by employees or associates. No if consumed by clients.	Yes if consumed by employees or associates. No if consumed by clients.	Assumes meals consumed on business premises.	52260 (employees or associates) 52263 (clients)

APPENDIX A
CHECKLIST OF ENTERTAINMENT EXPENSES
FOR TAXATION PURPOSES (Cont...)

	BENEFIT	DEDUCTION	FBT	COMMENT	GL ACCOUNT
(c)	Other, more substantial meals or food where alcohol is provided	Yes if consumed by employees or associates. No if consumed by clients.	Yes if consumed by employees or associates. No if consumed by clients.	Assumes meals consumed on business premises.	52260 (employees or associates) 52263 (clients)
5	Food and drink at local restaurant/hotel/cafe e.g. a business lunch or staff get-together				
(a)	Attended by employees only	Yes	Yes		52260
(b)	With clients and/or associates				
	(i) Costs re employees	Yes	Yes	ATO requires a per head apportionment of the restaurant bill between employees, associates and clients.	52260
	(ii) Costs re employees of associated employer e.g. a company in the same corporate group would be an associate of the employer	Yes	Yes for associated employer	Benefit provider is required to keep records of entertainment provided to employee of associate, and to provide associate with these records.	52260
	(iii) Costs re clients	No	No	GST code will be P4.	52263
	(iv) Costs re employee's associates	Yes	Yes		52260
6	Food and drink for employee travelling on business				
(a)	Alone or with other travelling employees	Yes	No	Assumes meal is not accompanied by entertainment other than food or drink. Meal can be accompanied by alcohol. Otherwise deductible rule applied to negate FBT.	52117 (travelling expenses)
(b)	With client who is travelling with employee				
	(i) Costs re travelling employee	Yes	No	Assumes meal is not accompanied by entertainment other than food or drink. Meal can be accompanied by alcohol. Otherwise deductible rule applied to negate FBT.	52117 (travelling expenses)

APPENDIX A
CHECKLIST OF ENTERTAINMENT EXPENSES
FOR TAXATION PURPOSES (Cont...)

	BENEFIT	DEDUCTION	FBT	COMMENT	GL ACCOUNT
	(ii) Costs re client	Yes	No	Assumes meal is not accompanied by entertainment other than food or drink. Meal can be accompanied by alcohol.	52117 (travelling expenses)
(c)	With client who is travelling separately on business and employer pays for cost of both the employee and client's meals.	Yes	No	See comments at (b) above.	52117 (travelling expenses)
(d)	With client who is not travelling on business				
	(i) Only travelling employee's meal paid for by employer	Yes	No	Assumes meal is not accompanied by entertainment other than food or drink. Meal can be accompanied by alcohol. Otherwise deductible rule applies.	52117 (travelling expenses)
	(ii) Employer meets cost of all meals	Yes for employee meal. No for client's meal	No No	Assumes meal is not accompanied by entertainment other than food or drink. Meal can be accompanied by alcohol. Otherwise deductible rule applies to employee.	52117 (travelling expenses) 52263 (client)
(e)	With local employees				
	(i) Only travelling employee's meal paid by for employer	Yes	No	Assumes meal is not accompanied by entertainment other than food or drink. Meal can be accompanied by alcohol. Otherwise deductible rule applies.	52117 (travelling expenses)
	(ii) Employer meets cost of all meals	Yes for travelling employee Yes for local employees	No for travelling employee Yes for local employees	Assumes meal is not accompanied by entertainment other than food or drink. Meal can be accompanied by alcohol. Otherwise deductible rule applies to travelling employee.	52117 (travelling expenses) 52260 (local employee)
(f)	With accompanying spouse and employer pays for cost of both meals	Yes for travelling employee Yes for spouse	No for travelling employee Yes for spouse	Assumes meal is not accompanied by entertainment other than food or drink. Meal can be accompanied by alcohol. Otherwise deductible rule applies to travelling employee.	52117 (travelling expenses) 52260 (spouse)

APPENDIX A
CHECKLIST OF ENTERTAINMENT EXPENSES
FOR TAXATION PURPOSES (Cont...)

	BENEFIT	DEDUCTION	FBT	COMMENT	GL ACCOUNT
7	Social functions, promotional events				
(a)	On business premises				
	(i) Costs re employees and associates	Yes	Yes		52260
	(ii) Costs re clients	No	No		52263
(b)	Off business premises				
	(i) Costs re employees and associates	Yes	Yes		52260
	(ii) Costs re clients	No	No		52263
8	Entertainment allowance paid to employee	Yes	No	The allowance must be treated as part of the employee's salary and PAYG deducted.	52262
9	Christmas gifts e.g. food hampers, alcohol for home consumption				
(a)	To employees	Yes	Yes		52260
(b)	To clients	No	No		52263
10	Christmas party for employees				
(a)	Cost re employees and associates	Yes	Yes		52260
(b)	Costs re clients	No	No		52263
11	Overtime meal allowance				
(a)	Paid under an industrial award	Yes	No	In excess of reasonable threshold will be taxable to the employee.	51112
(b)	Not paid under an industrial award	Yes	No	In excess of reasonable threshold will be taxable to the employee.	51112
12	Tickets to events or other recreation e.g. football, opera				
(a)	To employees and associates	Yes	Yes		52260
(b)	To clients	No	No		52263



APPENDIX A
CHECKLIST OF ENTERTAINMENT EXPENSES
FOR TAXATION PURPOSES (Cont...)

	BENEFIT	DEDUCTION	FBT	COMMENT	GL ACCOUNT
13	Taxi travel to or from place of entertainment (on or after 1 April 1997)				
(a)	Travel by employee at any time to (or from) home from (or to) place of entertainment	Yes	Yes	Taxi travel to and from entertainment activity is part of the cost of providing entertainment.	52260
(b)	Travel by employee at any time from (or to) place of work to (or from) place of entertainment	No	No		52262
(c)	Travel by employee at any time to (or from) home from (or to) place of work where entertainment activity is at place of work	No	No		52262
(d)	Travel by associates at any time	Yes	Yes	Taxi travel to and from entertainment activity is part of the cost of providing entertainment.	52260
(e)	Travel by clients at any time	No	No	Taxi travel to and from entertainment activity is part of the cost of providing entertainment.	52263



APPENDIX B

Financial Delegations Associated with Expenditure on Hospitality and Official Functions

Entertainment (Hospitality and Official Functions) Delegations

Delegations	A CEO	B General Manager	C See below	E See note at X below
Entertainment including alcohol up to \$250 per month	X	X	X	Regional Business Development Manager
All entertainment above \$250	X	X	-	-

X – Means all positions in that category (as defined below). However, where a delegation specifies a particular position/s, then the delegation applies to **only** that position/s within the category.

C – Manager Corporate Strategy, Manager Business Development, Manager Business Performance Systems, Manager Proposal Development, Manager Engineering Design (North), Manager Engineering Design (South), Manager Project Systems, Manager Asset Management, Manager Services Management, Regional Managers, Manager Finance, Corporate Counsel, Manager Human Resources, Manager Public Affairs, Manager Information & Communication Technology.