

Entertainment Expenses Fact Sheet



If you provide entertainment for your team, clients or any other business contact, some of your business entertainment expenses are fully tax deductible, while others will only be 50% deductible.

Fully Deductible Expenses

The following is a list of the entertainment expenses that are fully deductible:

- 1. Meals while travelling on business**
The cost of a meal while travelling on business is fully deductible as long as there are no business contacts present.
- 2. Conferences**
The cost of food and drink at a conference or business course, which continues for four hours or more, is fully deductible.
- 3. Meal allowances**
A tax-free meal allowance paid by an employer to an employee working overtime is fully deductible.
- 4. Executive dining facilities**
The cost of a light meal provided to employees in an area reserved for senior management is fully deductible when the meal is provided during the course of the employees' normal duties.
- 5. Morning and afternoon teas**
Morning and afternoon teas in an executive dining facility or at a conference are fully deductible.
- 6. Promotions open to the public and trade display**
Entertainment provided by a business as an incidental part of a function open to the public, or at trade displays to advertise the business, are fully deductible. For example: The costs of crockery/glassware hire, food, room hire, equipment
- 7. Off-shore entertainment**
Entertainment enjoyed outside New Zealand is fully deductible.
- 8. Monetary sponsorship**
The cost of sponsoring entertainment is fully deductible where the sponsorship is principally for promotion or advertising to the public.
- 9. Samples**
The cost of providing samples for advertising or promotional purposes is fully deductible.
- 10. Charitable entertainment**
Entertainment provided to members of the public for charitable purposes is fully deductible.
For example: A business donates food to a Christmas party in a children's hospital.
- 11. Reviewers**
The cost of providing entertainment to a person to review your business for a paper, magazine, book or other medium, is fully deductible.
- 12. Licensed premises operators**
Costs incurred by a licensed premises operator in providing a special offer are fully deductible.
For example: Happy hour of cheap drinks or two-for-one price meals.



50% Deductible Entertainment Expenses

Types of entertainment where deductibility is limited to 50%:

- The cost of taking customers, suppliers or other business contacts out for a meal
- The cost of staff drinks in the office or at a staff Christmas party.
- The cost of corporate boxes, corporate marquees or tents
- The cost of accommodation in a holiday home or time-share apartment
- The cost of hiring a pleasure craft
- The cost of food and beverages enjoyed in any of the three locations listed above, or food and beverages enjoyed on/off the business premises for a social event

Business Records

To support your claims for business entertainment expenses, you are required to keep invoices and receipts, attaching a note recording:

- the purpose of the expense
- whom was present and
- their relationship to your business

Goods and services tax (GST)

You can claim the full GST portion on all entertainment expenses you have incurred throughout the year. If the entertainment expenses are only 50% deductible, you need to make an adjustment once a year for the 50% non-deductible portion. We will do this as part of the annual accounts process.

Fringe benefit tax (FBT)

Any entertainment expenses that come under the 50% deductibility rules are not liable for FBT.

If employees (including shareholder-employees) can enjoy an entertainment benefit at their discretion and outside their employment duties, this benefit will be subject to FBT.

Our Advice

The rules are complex. For big ticket items or for anything else you are unsure of, contact us for further advice.

BE MORE INFORMED

HASTINGS / 06 876 7159

WAIPAWA / 06 857 8901



Disclaimer: This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied up to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.