

Entertainment expenses:

A guide to the tax treatment of business entertainment expenses

General information

Expenses must be incurred for business purposes to enable them to be deducted from a business' income. Private expenditure, or expenditure incurred where the business aspect is incidental, is not deductible.

Expenses that are 50% deductible

There are four categories of expenses that are 50% deductible, generally:

- Corporate boxes, corporate marquees or tents and similar exclusive areas (including the costs of tickets or other rights of entry)
- Holiday accommodation
- Pleasure-craft (such as a corporate yacht)
- Food and drink.

Expenses that are fully deductible

The following types of expenses are generally fully deductible:

- Meals when travelling on business, unless entertaining an existing or potential business contact as a guest
- Food and drink at conferences, staff training or business courses, provided they last longer than 4 consecutive hours
- Meal allowances – a tax-free meal allowance paid by an employer to an employee working overtime
- Executive dining room – an area reserved for those at a certain level of seniority and not open to all employees (in certain circumstances)
- Morning and afternoon tea
- Promotions open to the public and trade displays
- Offshore entertainment – entertainment consumed or enjoyed outside New Zealand

- Sponsorship – fully deductible when the sponsorship is principally for promotion or advertising to the public
- General entertainment where the business comprises provision of the forms of entertainment, which would otherwise be limited by 50%
- Samples provided to persons who are not employees or associates for the purpose of advertising or promotion
- Entertainment provided to members of the public for charitable purposes
- The cost of providing entertainment to a person to review it for a publication
- Entertainment liable for FBT.



FBT

Any type of entertainment expense that is liable for FBT is fully deductible for income tax purposes. Generally, any entertainment benefit that employees enjoy at their discretion outside their employment duties is subject to FBT.



GST

For GST registered businesses, an input tax credit will be immediately available to the business on the basis it has been principally incurred for the furtherance of their taxable activity.

Annually, an adjustment must be made on a business' GST return to pay GST on the 50% non-deductible expenses previously claimed. These expenses are considered to be supplies under the GST rules for private purposes.

The adjustment is one-ninth of the non-deductible entertainment expenses exclusive of GST (except non-taxable allowances) and the deemed time of supply for this adjustment is the earlier of:

- The date the income tax return is due to be filed; or
- The date the income tax return is filed.

Contact

If you would like more information on any of the above please contact:

Auckland

L4, Grant Thornton House
152 Fanshawe Street Auckland
1140
T +64 (0)9 308 2570
F +64 (0)9 309 4892
E info.auckland@nz.gt.com

Wellington

L13, AXA Centre
80 The Terrace
Wellington 6143
T +64 (0)4 474 8500
F +64 (0)4 474 8509
E info.wellington@nz.gt.com

Christchurch

L9, Anthony Harper Building
47 Cathedral Square
Christchurch 8140
T +64 (0)3 379 9580
F +64 (0)3 366 3720
E info.christchurch@nz.gt.com