

Entertainment Expenditure Checklist

FOOD & DRINK EXPENDITURE	DEDUCTIBILITY
Off Premises:	
◆ Generally (eg: social events, employer sponsored team events)	50%
◆ Business Trips, except:	100%
⇒ if the travel is mainly for enjoying entertainment; or	50%
⇒ where an existing or potential business contact is a guest at a meal or function; or	50%
⇒ at a celebration meal, party, reception or social function	50%
On Premises:	
◆ Staff Cafeteria—subsidised	100%
◆ Employee Meals:	
⇒ allowances (tax free) while working overtime; or	100%
⇒ reimbursement for costs while working overtime; or	100%
⇒ a light meal consumed as part of the employment duties, in an area of the business premises which is at that time reserved for senior employees and guests	100%
◆ Specific:	
⇒ where it is light refreshments (eg: morning/afternoon tea); but	100%
⇒ at a party, reception or social function, other than light refreshments; or	50%
⇒ in an area, at the time reserved for senior staff only, other than light refreshments (eg: staff lunches)	50%
Conference & Seminars:	
◆ Lasting in excess of 4 hours (excluding meal breaks) or;	100%
◆ Light refreshments (eg: morning/afternoon tea); but	100%
◆ Where the event is mainly for entertainment	50%
HOLIDAY ACCOMMODATION EXPENDITURE	
◆ Rent, running expenses, maintenance and depreciation on a holiday home, time share apartment, or similar leisure venue	50%
◆ Food and drink incidental to this entertainment; but	50%
◆ Incidental to business activities or employment duties (eg: team building activity, domestic conference)	100%
CORPORATE BOX EXPENDITURE	
Corporate boxes, marquees or tents at cultural, sporting or other events off the business premises, including:	50%
◆ Rent, running expenses, maintenance and depreciation;	50%
◆ Cost of tickets or other right of entry	50%
◆ Food and drink incidental to this entertainment	50%
PLEASURE CRAFT EXPENDITURE (EG BOATS AND PLANES)	
◆ Rent, running expenses, maintenance and depreciation;	50%
◆ Food and drink incidental to this entertainment	50%

OTHER ENTERTAINMENT EXPENDITURE	DEDUCTIBILITY
Sponsored Promotions:	
◆ Mainly for public promotion of business products or services; unless	100%
◆ The person's employees, existing business contacts, or anyone associated with the person, have a greater opportunity of enjoying the entertainment than the general public	50%
Trade display or Public Function	
◆ Incidental part of a trade display or public function mainly held to advertise business products or services	100%
Samples:	
◆ Sample products provided for advertising the business; unless	100%
◆ Provided to an employee or an associated person of the business (eg: shareholder)	50%
Entertainment Review:	
◆ Entertainment provided to reviewers for publishing a book, magazine, paper or on the net (eg: attendance by a reporter on a new charter boat by a charter boat company)	100%
Business Operation:	
◆ Provided at market value (or otherwise in an arm's length transaction) as part of the ordinary course of business of providing:	100%
⇒ corporate boxes, corporate marquee or tents;	
⇒ holiday accommodation;	
⇒ pleasure craft;	
⇒ food & drink (eg: restaurant or charter boat company)	
Charitable Purposes:	
◆ Provided to members of the public for charitable purposes	100%
Outside New Zealand	
◆ Enjoyed or consumed outside New Zealand (eg: overseas business trip)	100%
FBT—no entertainment where employees:	
◆ Receive or use the benefit outside of their employment duties; and	FBT
◆ Choose when they can receive or use the benefit; or	FBT
◆ They enjoy it outside New Zealand	FBT

Please note the following:

1. The above applies to expenditure incurred in deriving that provides both a private and business benefit.
2. Entertainment expenditure includes any related expenditure such as hireage of crockery, glassware, utensils, waiting staff, music.
3. All expenditure remains subject to the general deductibility provisions contained in the Income Tax Act 2007.
4. Issues may arise surrounding allowances and reimbursements of entertainment expenditure in addition to contributions made by employees.
5. This is not to be treated as an exhaustive checklist, therefore for further clarification of your tax position please contact McIntyre Flannery Tait Ltd.

CONTACT

For further information
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