

	Entertainment Expenses Table	50% deductible	100% deductible
1.	Friday night drinks for team members or clients in the office.	P	
2.	Friday night drinks for team members or clients in the pub.	P	
3.	Hire of a launch to entertain clients.	P	
4.	Restaurants providing food and drinks to team members at a social function in their restaurant.	P	
5.	Sponsoring local sports teams and receiving tickets to their corporate box in return. 50% of the value of the tickets would be deducted from the total sponsorship.	P	
6.	Sponsoring a sports team by providing a meal for the team at their grounds after each game.	P	
7.	Staff Christmas party on or off the business premises.	P	
8.	Taking a client out to dinner while you are out of town on business in New Zealand.	P	
9.	Taking a client out to dinner.	P	
10.	Dinner for Sales Rep while out of town selling and no client present.		P
11.	Donating food to a Christmas party in a children's hospital.		P
12.	Employee's salary package includes a taxable allowance for entertaining clients.		P
13.	Golf club subscription for business owner paid by the Company.		P
14.	Gym membership for team member paid by employer.		P
15.	Providing a meal for a journalist while reviewing your business for their column.		P
16.	Providing morning and afternoon tea for your team.		P
17.	Sandwiches provided at a lunchtime meeting of supervisors.		P
18.	Sponsoring a local sports team.		P
19.	Taking a client out to dinner while you are out of town on business outside New Zealand.		P

Entertainment Expenses and their Income tax and GST Treatment

General Rule

If you provide entertainment for your team, clients or any other business contact, some of your business entertainment expenses are tax 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 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. Entertainment provided for market value**
Providing entertainment for market value is fully deductible.

For example: the cost incurred by a restaurant in providing meals to patrons.

10. Samples

The cost of providing samples for advertising or promotional purposes is fully deductible.

11. 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.

12. Reviewers

The cost of providing entertainment to a person to review your business for a paper, magazine, book or other medium, is fully deductible.

13. 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

The following is a list of the four types of entertainment where deductibility is limited to 50%:

- The cost of corporate boxes, corporate marques 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

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.

The GST adjustment is one-ninth of the non-deductible entertainment expenses, exclusive of GST. This needs to be returned in the GST return in the period your income tax return is filed or due to be filed.

Many clients find it easier to claim the correct portion as they go, throughout the year.

Fringe benefit tax (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.

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

Our Advice

The rules are complex. For big ticket items, get our advice.