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# TAX DEDUCTIONS FOR THE GOOD TIMES

A quick summary of the deductibility of entertainment cost including fully deductible expenses, 50% deductible entertainment expenses and gifts to clients.

## Fully Deductible Expenses

Entertainment expenses that are fully deductible may include:

1. Meals while traveling on business
2. Conferences
3. Meal allowances

## 50% Deductible Entertainment Expenses

Entertainment expenditure is limited to a 50% deduction if it falls within the following:

1. Corporate boxes
2. Holiday Accommodation
3. Pleasure Craft
4. Food & Beverages consumed at any of the above or in specific circumstances for example:
  - Incidentally at any of the three types of entertainment above e.g. alcohol and food provided in a corporate box
  - Away from the taxpayer's business premises, such as a business lunch at a restaurant
  - On the taxpayer's business premises at a party, reception, celebration meal, or other similar social function, such as a Christmas party for all staff, held on the business premises (excluding everyday meals provided at a staff cafeteria)
  - At any event or function, on or away from your business premises for the purpose of staff morale or goodwill, such as a Friday night 'shout' at the pub
  - In an area of business premises reserved for use at the time by senior staff and not open to other staff, such as an executive dining room used to entertain clients

## Gifts to Clients

The rule of thumb with gifts is that if they consist of food or drink, you can only claim 50% of the expense as a tax deduction. If you are giving out gift baskets or hampers and some of the

contents are food or drink, but not all, the food or drink items are 50% deductible but the other gift items are 100% deductible. When you come to claim the tax deduction, you will need to apportion the expense between the 100% deductible items and the 50% deductible items.

If your Christmas giving includes gifts to clients, remember that some gifts will be fully deductible while others will be only 50% deductible. Use these examples as a guide.

#### **50% deductible**

- Bottle of wine or six pack of beer
- Meal voucher
- Basket of gourmet food
- Box of chocolates/ biscuits
- Christmas ham

#### **100% deductible**

- Calendar
- Book or gift voucher
- Tickets to a rugby game (but not corporate box entertaining)
- Movie tickets
- Presents (not food or drink)

There are a number of exemptions from these rules, please contact the IRD if you are unsure or take a look at the IRD Entertainment Expenses (IR268) booklet for more information.

If you would like to know more or require assistance please contact [Kirit](#) or [Alannah](#).

Resource supplied by The Engine's provider:

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