

## Let's Talk About ..... the Festive Season

***As a business owner and employer there's a lot for you to think about before you can relax and enjoy the festive season!***

Are you putting on a Christmas party for your staff or your clients and suppliers? Are you rewarding your team with Christmas gifts? This can be a great way to see out the year and celebrate successes, however there are tax considerations to think about.

### **What Business-Related Christmas Expenses Can you Claim?**

You can claim entertainment expenses if they are business related. A business-related expense is an expense that you incur to help your business earn income e.g. entertaining an existing or potential business contact. If the expense doesn't help your business earn gross income then it is private and you can't claim it as a tax deduction - even if you paid for it out of your business account. For example, if a business owner takes his family out for a Christmas dinner and uses his business credit card to pay for the meal this is a private expense and is not tax deductible.

Very specific rules apply to different categories of entertainment. Some entertainment expenses can be fully deducted, while others are only 50% deductible.

If your Christmas party is a business-related expense, you can claim 50% of the expenses in your GST and income tax returns. Expenses can include:

- Food and drink provided at your business premises (other than light refreshments) for a social event or party. This rule applies whether the entertainment is provided to staff, or to guests invited from outside the business.
- Food and drink provided away from your business premises
- Entertainment
- Venue hire.

Generally, you can claim the cost of Christmas gifts for staff and clients as a business expense. If the gift is food or drink e.g. a hamper, you can claim 50% of the cost. If however, the gift contains non-food items these can be claimed at 100%. Bear in mind that you may also need to pay fringe benefit tax on these gifts.



*Aaron Karena, Associate*

You can deduct 100% of the cost of entertainment you provide to members of the public for charitable purposes. For example, if your business donates food or gifts for a Christmas party at a hospital, this will be 100% deductible.

### **Entertainment and GST**

Although the entertainment rules apply to deductions in your income tax return, you may also need to make a GST adjustment. If you are GST registered you will need to make an annual adjustment for any entertainment expenses that are 50% deductible.

Confused? We can help you understand what you can and cannot claim. If you would like to know more, give us a call!

***By Aaron Karena, B.B.S., Dip. Bus., C.A.*** Aaron is an Associate with MCI & Associates. He likes to work hard and play hard and getting people organised is what he's great at. He'll help you meet compliance requirements and keep your business running smoothly.

Our offices will close for the Christmas break at 12.00 noon on Friday 21st December 2018 and will re-open at 8.30am on Monday 7th January 2019.

*We wish everyone a Merry Christmas and prosperous New Year!*



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MCI & Associates Ltd. 6 Gordon Street, Dannevirke & 139 Main Street, Pahiatua  
Tel: (06) 3747059 & (06) 3767476 email: [info@mcia.co.nz](mailto:info@mcia.co.nz)