Easy Guide to Entertainment Deductibility Rules for NZ Businesses

Dec 2025

(Based on Inland Revenue Department rules – IR268)

STEP 1: Can I Claim This At All? – The 3 Question Rule

1. ☐ Did this expense help me earn business income?
2. ☐ Is there a social or private element?
3. ☐ Is it NOT just me or my family going out? Would Inland Revenue see this as hospitality or work?

If it's private → ❌ You cannot claim it (even if paid from the business account – it is personal drawings). If unsure → assume 50% and check with your accountant.

STEP 2: Is It 50% or 100% Deductible?

🔶 **If there's any social or hospitality element, generally = 50% Claimable**

Common 50% Examples for Small Businesses:

☐ Taking a builder, supplier or subcontractor out for lunch

☐ Shouting the team Friday beers

☐ Staff Christmas BBQ

☐ Client dinner after finishing a big job

☐ Food provided at toolbox meeting (if it's more than light snacks)

☐ Sending a wine gift to a client

☐ Hiring a boat for a "planning day"

☐ Corporate rugby tickets

Simple rule:

If people are eating, drinking, relaxing or celebrating → it's probably 50%.

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🟢 **100% Claimable (Fully Deductible)**

These are considered fully business:

☐ Pies & coffee bought while travelling out of town for a job

☐ Meals while staying overnight for work

☐ Food at a genuine training course (4+ hours)

☐ Tea, coffee, biscuits at the workshop

☐ Morning tea for staff

☐ Branded merch (shirts, hats, promo gear — not food)

☐ Public sausage sizzle promoting your business

☐ Entertainment for business purposes consumed overseas (such as an offshore conference or entertaining suppliers or clients)

STEP 3: Staff Rewards? Watch out for FBT

If you give staff:

☐ Gift vouchers

☐ Weekend getaways

☐ Restaurant vouchers

☐ Performance reward experiences

These are: ✓ 100% deductible

❗ WARNING - May be subject to **Fringe Benefit Tax (FBT)**

This is where many small businesses get caught. As at Dec 2025, unclassified benefits to an employee must not exceed $300 per quarter. If in doubt, check with your accountant

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Quick Real-Life Scenarios

Scenario 1 – Client Lunch

You take a plumber who refers work to you out for lunch.

→ 50% deductible.

Scenario 2 – Out-of-Town Job

You have to travel out of town for a 2-day install and buy dinner.

→ 100% deductible.

Scenario 3 – Friday Beers

You shout the team drinks after finishing a big project.

→ 50% deductible.

Scenario 4 – Coffee at the Workshop

You provide tea, coffee and biscuits for staff.

→ 100% deductible.

Scenario 5 – Christmas Party

You hire a venue and put on food and drinks.

→ 50% deductible.

What You MUST Keep

✓ Receipt (that shows the detail of the expense, not just an eftpos payment confirmation)

✓ Date

✓ Who attended

✓ Business reason

If Inland Revenue reviews you, they'll ask.
