

Tax Tools – Providing Gifts to Clients, are they Deductible?

If the gift or thank you is classed as entertainment then **NO**, the expense is **not** tax deductible. In accordance with a Tax Determination on the topic (TD 94/55), entertainment normally relates to immediate consumption of the item of property. Examples of items of property that would generally constitute entertainment are:

- Glasses of Champagne
- Hot Meals
- Theatre Tickets
- Holiday Accommodation
- Cruises
- Hired Entertainers
- Hired Sporting Equipment

So if you provide the above thank you's to your referrals or customers, these expenses would **not** be tax deductible.

But, turning a negative into a positive, if you provide the following types of gifts, then you can claim it as a Tax Deduction:

Yes, you can claim the following:

- ✓ Bottled Spirits
- ✓ Bottles or Cartons of Wine, Beer
- ✓ TV Sets
- ✓ DVD's
- ✓ Computers
- ✓ Gift Vouchers to generic organisations such as Myer, David Jones, Westfield. If the vouchers are for Ticketek, then no deduction would be available.

We had a client who was providing Harbour Cruises for businesses that referred them clients. This was **not** tax deductible as it was classed as entertainment. After they discussed the matter with us, and we clarified the matter with our tax body, NTAA, the client now provides bottles of wine, which are deductible.

Another client provides gift vouchers to Myer and Westfield. As these vouchers do **not** directly relate to entertainment activities, the gifts are tax deductible.