

Business Entertainment Expenses

Part 36-00-04

This document should be read in conjunction with section 840
of the Taxes Consolidation Act 1997.

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Introduction

This manual outlines the tax treatment of business entertainment expenses.

1. Legislation

Section 840 of the Taxes Consolidation Act 1997 (TCA) ensures that business entertainment expenses are not allowed as a deduction for income tax or corporation tax purposes. It relates to expenses incurred in providing business entertainment in connection with a trade, business, profession or employment. The section applies to the provision of gifts as it applies to the provision of entertainment.

2. Business Entertainment Expenses

Business entertainment is defined as entertainment (including the provision of accommodation, food and drink or any other form of hospitality) provided, directly or indirectly, by:

- (a)** any person (including a company),
- (b)** any person who is a member of such person's staff, or
- (c)** any person providing or performing any service for such person, in the course of or incidental to providing or performing such service.

The cost of entertainment provided by a person for bona fide employees of the person are excluded from the effect of the section.

The section provides that in respect of expenses incurred in providing business entertainment no sum shall be -

- (a)** deducted in computing the amount of the profits or gains or emoluments to be assessed, or
- (b)** included in computing management expenses under section 83 or 707 of the TCA.

Where an asset is used or provided for use, wholly or partly, in providing business entertainment certain capital allowances are not to be given in respect of the use of or expenditure incurred in providing such asset to the extent that the asset is used or is to be used for such business entertainment purposes -

The capital allowances concerned are those under Part 9 of the TCA which relate to machinery or plant.

Expenses incurred in providing business entertainment by a person (which includes a company) include any sum paid by the person to, or on behalf of,

or placed at the disposal of any **employee** of his **for the purpose of defraying expenses incurred by the employee** in providing business entertainment.

Where, in the examination of the accounts of an individual, partnership or limited company or in the expense claim of an employee -

(a) a charge appears for business entertainment, or

(b) a charge for business entertainment is considered likely to be included in a charge for travel or other expenses,

and

(c) there is no add back in the computation or explanation for the lack of an add back,

appropriate action should be taken to establish the amount to be disallowed.

3. Sums put at the disposal of directors or employees for entertainment expenses

Section 117 of the TCA should be applied as appropriate where sums are put at the disposal of directors or employees for entertainment expenses. The disallowance of any sum for entertainment expenses does not preclude a charge for part or all of that sum under **section 117**.

4. Entertainment expenses incurred by directors and employees

The taxation treatment of entertainment expenses incurred by directors and employees and the circumstances in which the disallowance of entertainment expenses will give rise to an increase in **assessable** emoluments are set out in [Tax and Duty Manual Part 05-03-02](#).