

## Contractor doctor: can expenses be claimed for entertainment?

Dear Contractor Doctor,

I am taking one of my clients out for lunch next week. Can it be claimed as an entertainment expense?

Thanks

[Name supplied]

Contractor Doctor says:

You can claim for entertainment, but it is not tax deductible and not worth putting through the company.

Expenditure on entertaining is not allowable for corporation tax relief and no VAT input claims can be made.

Company directors are usually more minded to the commercial reality of entertaining a customer or potential customer, rather than the tax disallowance on the cost.

### Expenditure rules:

Expenditure on business entertaining, including hospitality of any kind and on gifts, is not allowable, except for:

1. Gifts (other than food, drink, tobacco, tokens or vouchers) bearing a conspicuous promotional advert and costing less than £50 per person per annum, or;
2. Expenditure on staff functions, e.g. Christmas party are allowable of up to £150 per person per annum

### Declaration on form P11D:

Any expenses reimbursed to an employee by their employer must be declared on form P11D, together with an appropriate claim for business use.

### Is it worth putting through the company?

In the context of a one man consultancy company, there is likely to be very little entertaining.

If you need to pay for entertaining, it is not worth putting the costs through your company, since it will be disallowed in the corporation tax computation and be subject for form P11D compliance and disclosure.

The expense is more efficiently dealt with by paying out of taxed income to avoid the administration implications, which produce no benefit for the company or employee.

Contractor Doctor

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“ Company directors are usually more minded to the commercial reality of entertaining a customer or potential customer rather than the tax disallowance on the cost ”

David Colom - D J Colom



**Expert Contributor**

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David Colom qualified as a Chartered Accountant in the City of London in 1981 and is the founder and principal of D J Colom & Co Chartered Accountants established in 1989.

Started specialising in serving IT contractors in 1993 and is now one of the longest standing suppliers of accountancy services to computer contractors. [Read Full Profile...](#)

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