

FACT SHEET

Income tax and GST – Treatment of meal expenses

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This fact sheet accompanies interpretation statement [IS 21/06](#) (*Income tax and GST – Treatment of meal expenses* (Inland Revenue, 2021)), which considers the income tax and GST treatment of meal expenses incurred by self-employed people. It also discusses the treatment of meal allowances paid to employees and entertainment expenditure. This fact sheet also includes a table indicating deductibility in different scenarios.

Deductibility – self-employed taxpayers

If you're self-employed you cannot usually deduct meal expenses.

The Income Tax Act 2007 denies deductions for private or domestic expenditure. This is expenditure that individual members of society have to incur to live (for example, expenditure on food and shelter) and expenditure relating to the household or family. Food and meals are usually private and domestic expenditure.

Narrow exception for extra expenditure

A narrow exception exists for **extra** expenditure on food where the requirements of your business impose extra meal costs. You may be allowed to deduct the extra expense where you are required to work in a remote location or unusual hours.

Merely "working away" is not enough for the expenditure to come within the exception – the circumstances must be such that you have no choice but to incur additional expenditure on meals.

Other scenarios

Sometimes customers who would otherwise be self-employed operate through a closely-held company or have employees who incur meal expenses. Interpretation statement [IS 21/06](#) explains how the tax treatment differs in these circumstances. Outcomes differ depending on whether the expenditure is for meals or light refreshments at a work event, an overtime meal or a meal while travelling on business. Provided the requirements are met:

- the amount will be deductible for employers; and
- employees receiving an allowance or reimbursement for meals consumed while away performing their duties can treat the amount they receive as “tax free” because it is exempt income and not subject to fringe benefit tax.

The treatment of meal expenditure is also different if you are self-employed and incur meal expenditure that is **entertainment expenditure**. You can effectively deduct 50% of the cost of the entertainment expenditure, including the cost of your meal. For instance, if you pay for a business lunch for yourself and clients, then you can deduct 50% of the cost.

What is entertainment expenditure?

The Income Tax Act 2007 contains a regime specifically for entertainment expenditure. The regime applies to certain types of entertainment expenditure that have both private and business elements. If you come within the rules (and provided the expenditure has a sufficient relationship with your business or deriving income), you are allowed a deduction of 50% of the amount incurred.

For more information about entertainment expenditure and fringe benefit tax, see [Ngā whakapaunga whakangahau: Entertainment expenses](#) (webpage, Inland Revenue).

Guide to likely income tax treatment of meal expenses

The following table lists the most likely tax treatment for different forms of expenditure. The list is not exhaustive, and individual situations may vary.

For comprehensive information and examples, see the interpretation statement [IS 21/06](#).

Guide to likely income tax treatment of meal expenses

Scenario	Likely income tax treatment of the expenditure, allowance or reimbursement	Amount	IS 21/06 reference
Self-employed			
Shouting friends Friday night drinks at the local pub	Not deductible	N/A	Example 3 (variation 2)
Expenditure on meals and coffee while working at different places around town	Not deductible	N/A	Example 1 (variation 2)
Expenditure on meals and snacks while away overnight on business	Not deductible	N/A	Example 1 (variation 3)
Expenditure on meals while working in a remote location	Deductible provided you have no choice but to incur the extra expense	Reasonable estimate of extra cost	Example 1 (variation 4)
Reimbursing or paying an allowance to your employee for meals and snacks they consumed while away overnight on business	Deductible for employer (and not taxable for employee)	Full amount	Example 1 (variation 5) and Example 2
Employees and shareholder-employees			
Employee receives an allowance to cover light refreshments while working away from the office	Not taxable for employee as amount is exempt income and not subject to fringe benefit tax (and deductible for employer)	Full amount	Example 2 (variation 1)
Employee is reimbursed for meals eaten while out of town on business	Not taxable for employee as amount is exempt income and not subject to fringe benefit tax (and deductible for employer)	Full amount	Example 2 (variations 2 and 3)
Look-through companies			
Expenditure on meals and snacks while away overnight on business	Not deductible – expenses of a look-through company are treated as expenses of the owners of the company, so the “normal” rules for companies do not apply	N/A	Paragraph 71

Scenario	Likely income tax treatment of the expenditure, allowance or reimbursement	Amount	IS 21/06 reference
Entertainment expenses			
Self-employed person provides hospitality for clients	Deductible	50% of expenditure	Example 3 (variation 1)
Self-employed person arranges a hospitality function for clients and a visiting employee from out of town	Deductible – the hospitality for clients <i>and</i> the employee's meal come under the entertainment expenditure rules	50% of expenditure	Example 4

GST

The GST treatment follows the income tax treatment. Goods and services used for private and domestic purposes are not used to make taxable supplies. This means if you are not allowed to deduct expenses for income tax purposes, then you cannot deduct the input tax on the expense for GST purposes.

It will be relatively rare that a self-employed person who is GST registered can claim GST input tax for meal expenses. For more information, see the interpretation statement.

Record keeping

It's important that you keep good records to support your expense deductions. You'll need the receipt or invoice but it may be useful to also make a record of the wider circumstances. For entertainment expenditure it's helpful to also record the date, the reason for the expense, the names of the individuals who the expenses relate to and the business they represent.

Where can I find out more?

This fact sheet is a quick reference guide and provides general guidance only. Individual circumstances are inevitably different, so you may wish to obtain advice from a tax advisor.

Find out more about meal expenditure in the statement: [Income tax and GST – Treatment of meal expenses \(IS 21/06, Inland Revenue, 2021\)](#).