

## Catering expenditure fully deductible

There have been long discussions about the deductibility of catering expenditure. Are these reception costs and therefore only partial deductible? Or marketing expenses and 100% deductible. The minister is now tolerant. Catering expenditure for a marketing event are now fully deductible.

### Reception or marketing?

Expenses made to welcome and entertain people in your company are for tax purposes defined as 'reception expenditure'. For both corporate income tax as for individual income tax these costs are 50% deductible. Also for VAT purposes this limitation applies. For the latter it goes even further since for catering expenses (as part of the reception expenditure) no deduction is possible.

Marketing expenses however are for income tax purposes as for VAT fully deductible.

### What in case of expenses for a marketing event?

When organising an event a company has a number of expenses which the tax authorities like to qualify as reception costs (furnishing the hall, catering, ..). But what in case the event has a marketing goal? E.g. when it is organised to launch and promote a new product. Should these costs then not be qualified as marketing expenditure?

### A solution for VAT ...

Since two years the tax authorities consider for VAT purposes that the deductibility of such expenses is determined by the purposes of the expenses (marketing through an event) instead of the nature (catering costs).

### ... also becomes a solution for individual income and corporate tax

The minister now admits that this principle also can be applied for income tax purposes. As such the rules for income tax and VAT are harmonized. This means that catering expenditure is fully deductible when made for an event for potential or existing clients which has mainly as goal to promote the sale of certain products or services. The client should not be the end consumer, but can also be a dealer, retailer, franchiser, ...

Watch out: promoting sales to customers should be the main goal. An event only for suppliers, is difficult to qualify as a marketing event. Such expenditure will probably remain reception costs and therefore will only be partially deductible.

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