



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 2

TRADING INCOME

CHAPTER 4

TRADE PROFITS: RULES RESTRICTING DEDUCTIONS

Business entertainment and gifts

45 Business entertainment and gifts: general rule

- (1) The general rule is that no deduction is allowed in calculating the profits of a trade for expenses incurred in providing entertainment or gifts in connection with the trade.
- (2) A deduction for expenses which are incurred—
 - (a) in paying sums to or on behalf of an employee of the person carrying on the trade (“the trader”), or
 - (b) in putting sums at the disposal of an employee of the trader,is prohibited by the general rule if (and only if) the sums are paid, or put at the employee's disposal, exclusively for meeting expenses incurred or to be incurred by the employee in providing the entertainment or gift.
- (3) The general rule is subject to exceptions—
 - for entertainment (see section 46), and
 - for gifts (see section 47).
- (4) For the purposes of this section and those two sections—

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Section 45. (See end of Document for details)

- (a) “employee”, in relation to a company, includes a director of the company and a person engaged in the management of the company,
- (b) “entertainment” includes hospitality of any kind, and
- (c) the expenses incurred in providing entertainment or a gift include expenses incurred in providing anything incidental to the provision of entertainment or a gift.

Status:

Point in time view as at 19/07/2007.

Changes to legislation:

There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Section 45.