

Business Entertainment Expenses

Expenses incurred by directors and employees

Part 05-03-02

Section 840 Taxes Consolidation Act (TCA) 1997

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1. General

Details of the provisions of section 840 TCA 1997 are set out in Tax and Duty Manual [Part 36-00-04](#).

Section 840 TCA 1997 provides that entertainment expenses are not allowable in computing the amount of assessable profits or gains or emoluments. This manual sets out the 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.

2. Reimbursed Expenses

Payments which are no more than the reimbursement of vouched expenses actually incurred wholly, exclusively and necessarily in the performance of the director's or employee's duties are not normally treated as emoluments. The same treatment should be applied to payments in respect of the reimbursement of vouched entertainment expenses.

These payments will not be allowed in computing the employer's profits or gains and they should not be regarded as assessable emoluments of the director or employee. It should be noted that this treatment applies only to the reimbursement of entertainment expenses "wholly, exclusively and necessarily" incurred in the performance of the duties of the directorship or employment. The reimbursement of entertainment expenses, to the extent that they are not so wholly, exclusively and necessarily incurred in the performance of those duties, should continue to be treated as emoluments irrespective of the manner in which they are treated for the purposes of determining the profits or gains of the employer.

3. Round-sum expense allowances etc.

Where a director or employee incurs and defrays entertainment expenses out of

- (a) a general expense allowance assessable under Schedule E, or
- (b) his own remuneration,

any disallowance is to be made in the director's or employee's assessment by refusing a deduction claimed under **section 114 TCA 1997** for the entertainment expenses. Normally, there will be no disallowance of the general expense allowance or remuneration in computing the employer's profits or gains and, accordingly, the disallowance is made in determining the director's or employee's assessable emoluments.