

Business entertainment. FA 82 s20(1) to (6) and (8) 840.—(1) In this section—

“business entertainment” means entertainment (including the provision of accommodation, food and drink or any other form of hospitality in any circumstances whatever) provided directly or indirectly by—

(a) any person (in this definition referred to as “the first-mentioned person”),

(b) any person who is a member of the first-mentioned person's staff, or

(c) any person providing or performing any service for the first-mentioned person, the entertainment being entertainment that is provided in the course of, or is incidental to, the provision or performance of the service,

in connection with a trade carried on by the first-mentioned person, but does not include anything provided by that person for bona fide members of that person's staff unless its provision for them is incidental to its provision also for others;

a reference to expenses incurred in, or to the use of an asset for, providing entertainment includes a reference to expenses incurred in, or to the use of an asset for, providing anything incidental thereto;

a reference to a trade includes a reference to a business, profession or employment;

a reference to the members of a person's staff is a reference to persons employed by the person, directors of a company or persons engaged in the management of the company being for this purpose deemed to be persons employed by the company.

(2) In respect of any expenses incurred in providing business entertainment, no sum shall be—

(a) deducted in computing the amount of profits or gains chargeable to tax under Schedule D,

(b) included in computing any expenses of management in respect of which a deduction may be claimed under section 83 or 707, or

(c) allowed under section 114.

(3) (a) In this subsection, “the specified provisions” means the provisions of Part 9 relating to machinery or plant.

(b) Where any asset is used or is provided for use wholly or partly for the purpose of providing business entertainment, no allowance under any of the specified provisions shall be made for any year of assessment or for any accounting period of a company in respect of the use of the asset or the expenditure incurred in the provision of the asset to the extent that it is used or is to be used for that business entertainment.

(4) The expenses to which subsection (2) applies include in the case of any person any sum paid by that person to, on behalf of or placed by that person at the disposal of a member of that person's staff for the purpose of defraying expenses incurred or to be incurred by the member of the staff in providing business entertainment.

(5) This section shall apply in relation to the provision of a gift as it applies in relation to the provision of entertainment.

(6) (a) Where by reason of the provision or performance of a service an amount is paid or payable to a person referred to in paragraph (c) of the definition of "business entertainment", so much of the amount as is equal to the cost of any business entertainment that is provided in the course of, or is incidental to the provision or performance of, the service shall be deemed to be incurred in providing business entertainment.

(b) The cost of any business entertainment shall be determined by the inspector according to the best of his or her knowledge and judgment.

(c) A determination made under paragraph (b) may be amended by the Appeal Commissioners or by the Circuit Court on the hearing or the rehearing of an appeal against any deduction (including a case where no deduction is granted) granted on the basis of the determination.