

## **EMPLOYERS MAY DEDUCT EXPENSES AND VAT RELATED TO STAFF EVENTS FOR EMPLOYEES AND THEIR FAMILIES**

We wish to draw your attention to a ground-breaking private ruling issued by Director of Katowice Tax Chamber on behalf of Finance Minister on 31 March 2015 (ref. IBPBI/2/423-1570/14/AP). The ruling is about deductibility (for income tax purposes) of expenses incurred by an employer on staff events for his employees and their families.

The case involves an employer wishing to organise a series of company picnics as staff events for his employees. The events would be free of charge and open to employees and their families. Catering would be provided by the employer during the events based on vouchers and the employer would also offer competitions with prizes and other entertainment. All the related expenses would be paid by the employer.

In accordance with previous rulings in similar cases, the employer sought to confirm the deductibility for tax purposes of only those expenses of the event which related to the employees. However, the ruling authority not only agreed with his standpoint, but, importantly, also held that the event expenses relating to employee families are deductible for the employer as well, because they can contribute to a growth in employer's income. This position is a turnaround comparing to the previous interpretations, which were unfriendly for taxpayers.

Let us also note at this point the recent body of Finance Minister's rulings on the VAT treatment of such staff events. In most of these rulings, the Finance Minister confirms that VAT charged on expenses related to staff events is deductible under the general rules. However, the participation of employee families is treated as a charge-free supply (supply for no consideration) to them, which therefore must be taxed by the employer.

If this issue pertains to your business and you are interested in our assistance, please contact your WTS&SAJA consultant or our office.

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