**Business Entertainment Policy**

'Business entertainment' is the provision of hospitality by employees of the University to non-employees in the furtherance of the University's business. The area of entertainment can present difficult issues both in respect of ethical issues and taxation and the following is intended to give procedures and guidelines which will help to decide whether costs are allowable. Some costs may be allowable under University policy, but will nonetheless give rise to a potential tax charge.

The overall policy is set out in the University's Financial Regulations as follows:

* Entertaining should wherever possible and appropriate be carried out in the University's own facilities in departments (including the University Centre) or in Colleges.
* Entertainment expenditure must be an appropriate use of University money. A schedule must be included with the claim that gives details of those entertained, their institutions and the purpose of the entertainment.
* Expense claims for entertaining, which must be supported by vouchers, must be authorised by the Head of the Department (except where the Head is the claimant, when alternative arrangements must be made).
* Authorisation and submission of a claim for payment for entertaining is a declaration that the cost was incurred wholly, necessarily, and exclusively for University purposes.
* In authorising entertainment expenditure, Heads of Departments are also undertaking that, if in any case tax is subsequently levied, any cost which is not recoverable from the individual beneficiaries will fall on the budget of the department.

Further factors which must be considered are that:

* The cost must be reasonable and will not normally exceed evening meal subsistence rates
* The *primary purpose* of the entertainment must be to entertain non-employees (including students) i.e. the simple presence of non-employees is not enough to justify a claim, their presence must be the main purpose of the event
* There must a clear benefit to the University from providing the entertainment
* The provision of entertainment must not be seen to bring the University into disrepute by placing any public official under undue influence
* The entertainment should not include anything other than the provision of food, a modest amount of alcohol and any incidental costs such as a taxi to the restaurant (i.e. theatre trips or 'corporate events' such as golf or invitations to sporting events are **not** permitted).

The definition of business entertainment will therefore include meals with:

* external parties where the purpose of the meal is to recognise their contribution to the University (for example an meal given to thank examiners or an external speaker);
* potential sponsors of research or donors;
* representatives of other institutions or bodies who are engaged in or contemplating collaborative work with the University;
* individuals where the purpose is to improve public relations;
* current sponsors in the course of reporting progress against their project;
* individuals who will be able to positively influence the policies of other significant bodies (e.g. government bodies, funding organisations) towards the University;
* official visits;
* prospective students or prospective employees (exceptionally);
* students visited in 'work places' (for example on a 'sandwich' degree course) and entertaining both the student/employee and his employer.

Business entertainment will **not** include meals where:

* there are no non-employees present (such as a meeting of Heads of Departments or a meal held for a team after completing a project or as a 'thank you' event for staff, but see [**staff entertainment**](https://www.finance.admin.cam.ac.uk/policy-and-procedures/financial-procedures/chapter-5b-expenses-benefits/entertaining/staff));
* the entertainment of non-employees is not the main purpose of the event (e.g. a research group decide to have a meal together and invite a visiting scholar who happens to be in the University at the time);
* there are non-employees present, but their presence does not further the University's business (e.g. employees partners' are invited to a staff social function).

**Procedure**

Entertainment can either be reimbursed by an expense form supported by receipts, the processing of suppliers' invoices directly through the Accounts Payable module or via a University credit card (see chapter 6 of the Financial Procedures Manual). In all cases HMRC require details of those entertained, their institutions and the purpose of the entertainment.

Where the ratio of employees to non-employees is higher than 5:1, claims should note the business purpose served by having such a high number of employees compared to non-employees. This information should be kept with the expense details in case of future audit by HMRC.

**Tax implication**

All instances of business entertainment are reportable on the P11D where there is no clear business benefit for the organisation or it falls into the section above "Business entertainment will **not** include meals where:". If business entertainment is taxable then it is reported as follows:

* Where no details of those entertained or no purpose of the entertainment is provided then the total cost is classed as a taxable benefit and attributed in full to the person making the expenses claim.
* Where details of those attending are provided then the taxable benefit can be apportioned across the individuals e.g. if 2 employees and 1 visitor enjoyed a meal then each *employee* would have a taxable benefit of 1/3 of the total bill.

Departments may still wish to seek tax exemption on events where the ratio of employees to non-employees is less than one to one. This must be advised on the P11D return with an explanation as to how the event falls within the criteria set out above. Alternatively please discuss with the Head of Payroll.