

When you welcome people at your office or host events for their entertainment, that is considered “representation” of your company brand. In line with this, the tax imposed on food and equipment relevant only to making your business a hospitable place (as opposed to performing your business activities) is called representation tax.

Normally, when you make a purchase for your company with company money, you can deduct your expenses from your corporate tax base while you can also reclaim the VAT content of the purchase. However, when you make a purchase for an item the main purpose of which is to please people, you cannot reclaim VAT while you must pay the representation tax.

Here are some typical examples from the life of an office:

Your purchase	Contains VAT	VAT content reclaimable	Full price deductible from corporate tax	Representation tax applies
laptop for the secretary	yes	yes	yes	no
shelves in the meeting room	yes	yes	yes	no
coffee	yes	no	yes	yes
coffee machine	yes	no	yes	yes
biscuits	yes	no	yes	yes
hotel reservation for a business trip	yes	yes	yes	no
airplane tickets for a business trip	no	no	yes	no
conference attendance fee	yes	yes	yes	no
company dinner at a restaurant	yes	no	yes	yes
riding a taxi home after the company dinner	no	no	yes	yes
riding a taxi to a business meeting or to the airport during a business trip	no	no	yes	no
having a single dinner while on a business trip	yes	no	yes	yes
go to a theme park while on a business trip	yes	no	NO	NO. This is not a business-related expense, so do not pay for it with company money. If you did by mistake, pay it back to the company.

There are several cases that are not as straightforward as the examples above. If you are not sure whether a given article or service is considered representation, consult your accountant. The team at Helpers Finance can calculate your taxes even before the purchase is made; this way you can make a better estimate of your expenses, allocate budgets more precisely, and make informed decisions concerning the costs of company operation.