


TD 94/D41 - Income tax: are bar shouts and in-house competition prizes of cash and liquor, supplied by hoteliers to encourage patronage, allowable deductions, and if so, what documentation is acceptable to support the amount claimed?

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This document has been finalised by TD 94/60.

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

Draft Taxation Determination

Income tax: are bar shouts and in-house competition prizes of cash and liquor, supplied by hoteliers to encourage patronage, allowable deductions, and if so, what documentation is acceptable to support the amount claimed?

1. Liquor used by hoteliers in bar shouts and in-house competition prizes is trading stock of the hoteliers and its cost is deductible under subsection 51(1) of the *Income Tax Assessment Act 1936*.
2. Whether liquor which has been won as a prize but not collected by the winner is part of the hotelier's trading stock at year end for the purposes of section 28 depends on whether the hotelier has power of disposition over it (Taxation Ruling IT 2670). For example, if a particular item has been won (e.g. a bottle of liquor), the hotelier would lose power of disposition when the prize is awarded and the item would no longer be trading stock on hand even though it has not been delivered to the winner. However, if the prize consists of unidentified liquor (e.g. free beer for one week), the hotelier would retain dispositive power over it and the liquor would remain trading stock on hand of the hotelier until delivered to the prize winner.
3. As there is no sale when a bar shout or prize is given, there is no income to be brought to account from the disposal of the liquor.
4. Some hoteliers include the value of the liquor used for bar shouts and prizes in income for internal accounting purposes and then deduct the cost of the liquor. We only accept an adjustment of the income figure in determining assessable income if there is documentary evidence that the amount was originally included as income.
5. Cash competition prizes provided by hoteliers to encourage patronage are deductible under subsection 51(1). Deductions for cash prizes are not precluded from deduction by the entertainment expenses provisions (paragraphs 51AE(5)(c) and (d)).
6. Hoteliers wishing to claim a deduction for competition prizes paid in cash should keep records evidencing the transaction. One acceptable method would be to keep prize sheets showing:
 - date of payment
 - name of winner
 - address of winner
 - amount paid
 - signature of payer.

7. Records evidencing the transactions are required to be kept for the statutory period in terms of section 262A.

Commissioner of Taxation

21/4/94

FOI INDEX DETAIL: Reference No.

Related Determinations:

Related Rulings: IT 2670

Subject Ref: records; business expenses; entertainment expenses

Legislative Ref: ITAA 51(1); ITAA 51AE(5)(c); ITAA 51AE(d); ITAA 262A

Case Ref:

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