

TD 94/60 - 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?

⚠ This cover sheet is provided for information only. It does not form part of *TD 94/60 - 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?*

⚠ This Ruling has been reviewed as part of a project to review public rulings. The ATO view expressed in this Ruling is current as of 30 January 2018.

⚠ This document has changed over time. This is a consolidated version of the ruling which was published on *1 December 2010*




This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

[Note: This is a consolidated version of this document. Refer to the ATO Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.]

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?

 This Ruling has been reviewed as part of a [project](#) to review public rulings. The ATO view expressed in this Ruling is current as of 30 January 2018.

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 section 8-1 of the *Income Tax Assessment Act 1997* (ITAA 1997).
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 70-35 of the ITAA 1997 depends on whether the hotelier has power of disposition over it (Taxation Ruling IT 2670). For example, if a particular item has been won (for example, 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 (for example, 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 as 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 [section 8-1 of the ITAA 1997](#). Deductions for cash prizes are not precluded from deduction by the entertainment expenses provisions (Table items 4.2 and 4.3 in section 32-45 of the ITAA 1997).

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
- signature of payee

7. Records evidencing the transactions are required to be kept for the statutory period in terms of section 262A of the *Income Tax Assessment Act 1936*.

Commissioner of Taxation

07/07/94

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Related Determinations:

Related Rulings: IT 2670

Subject Ref: records; business expenses; entertainment expenses; hotels; prizes

Legislative Ref: ITAA 1936 262A; ITAA 1997 8-1; ITAA 1997 70-35; ITAA 1997 32-45

Case Ref:

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