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# Golf tournament cost allowed for brewery but disallowed for insurance agency

**The Supreme Tax Court has allowed a brewery a deduction for financing a golf tournament series under its contract to supply beverages to the participating clubs, but disallowed similar costs of an insurance agency incurred in the course of sponsoring a charitable promotion.**

The Income Tax Act explicitly excludes the costs of hunting, fishing, sailing, cruising and “similar purposes” from a deduction as business entertaining, unless the object of the business is directly linked to the activity concerned (e.g. entertaining customers from the cargo and travel trades on board a ship used for transport). Different senates (chambers) of the Supreme Tax Court have recently come to apparently conflicting decisions on two cases involving the financing of golf tournaments by a brewery (allowed) and by an insurance agency (disallowed). However, the conflict becomes apparent, rather than real, once the underlying circumstances are taken into account.

In both cases, the court found that golf tournaments were a “similar purpose” to hunting, fishing etc. and therefore generally led to disallowable expenses for those bearing their costs. However, the brewery financed the events in fulfilment of a commitment in its contract for the supply of beer and other beverages to the clubs participating in the tournament series. Its tournament costs were therefore effectively a direct deduction from its sales proceeds and allowable under the exception for activities directly linked to the business concerned.

The insurance agency, on the other hand, paid for a golf tournament followed by a dinner-dance for the participants as a fund-raising event for charity. It claimed its outlays as a business expense under the finance ministry decree on sponsoring. The court accepted the sponsoring as such and therefore the classification as business expense, but then drew the conclusion that the business expense was disallowable as being similar to hunting or fishing. The sponsorship decree could not contradict the Income Tax Act; hence any conclusion from that decree must necessarily be void in the face of a contrary provision in the act. Ironically, the insurance agency would have been assured of a deduction for a charitable contribution, had it made a donation of the amount involved to the charity concerned, rather than going through the medium of a golf tournament.

Supreme Tax Court judgments I R 74/13 of October 14, 2015 (brewery) and IV R 24/13 of December 16, 2015 (insurance agency) both published on February 24, 2016

**Schlagwörter**

Sponsoring, business expense, entertainment, golf tournament