

DEDUCTIBILITY OF SPONSORSHIP EXPENSES



Expenditure on sponsorship can be expected to be allowed as a deduction under the general permission.

The commissioner has published an interpretation statement “Deductibility of Sponsorship”. The statement indicates that:

- A deduction may be allowed for sponsoring a sporting team where the business name is displayed on players’ jerseys.
- A deduction is allowed for the cost of reimbursing a sporting team for its purchased of, for example, a van that displays the sponsor’s name.
- A deduction may be allowed for the cost of sponsoring a sporting competition named after the sponsor.
- A deduction may be allowed for an accounting firm that sponsors performances of an opera to gain exposure to likely attendees of the performances.
- An up-front sponsorship payment covering a three-year advertising period may be subject to the rules on prepayments spreading the deduction allowed.
- The rules on prepayments may not apply to a contribution to the construction of a swimming pool complex in return for naming rights for 10 years.
- A deduction may not be allowed for a gift to a school attended by the donor’s child where the school is in another district away for where business activities are conducted.
- A deduction may not be allowed of the sponsorship of a sporting activity that is a hobby of the business proprietor, but which is a completely different activity from the business.

