

Overseas Travel – Guide to Records and Deduction

1. Introduction

The purpose of this guide is to provide a brief overview of the deductibility of overseas travel and your record keeping requirements.

2. Overseas Travel

Trips undertaken for business development and education generally qualify as a deduction.

Records should be retained including:

- a) Name(s) of those travelling.
- b) Reason for trip (including itinerary where appropriate).
- c) Total cost of trip.
- d) Estimated amount applicable to holiday or private purposes.

3. Sourcing Employees

The costs of bringing employees to New Zealand for an established business are generally deductible however the cost for sourcing employees to establish a new business is not.

4. Travel Expenses can be Capital

Trips to source fixed assets or establish new businesses or agencies may be capital in nature. Where the expense relates to specific fixed assets the cost can be capitalised to the fixed asset.

5. Incidental Entertainment

Some entertainment may be taken during a predominantly business trip – where the dominant purpose of the trip is business, the entertainment does not extend the time taken for the trip, and the cost is not substantial no adjustment is required for private purpose.

6. Estimate of Private Purpose

Where the dominant purpose is not business or the private expenditure is substantial IRD considers each case on its merits and does not publish any specific guidelines or policy.

Each trip with mixed purposes will require some judgement to allocate costs between business and private purposes. We recommend that clients maintain records of:

1. Specific trip expenditure that is private.
2. The extent to which the time of the trip is extended by private purposes.

While each case must be considered separately we would generally suggest that where the private time and costs are the minority the specific costs should be removed from the deduction. Where the private purpose is more significant an allocation of airfares and other costs to private purpose should also be made.

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7. Accompanying Spouse

Costs for an accompanying spouse are deductible where:

- a) The spouse is an employee of the business.
- b) The taxpayer's poor health requires the spouse to travel.
- c) An overseas association expects the spouse to accompany.
- d) The spouse accompanies a professional taxpayer to a conference where the delegate is the leader or sole NZ representative or is presenting a paper at the conference.

8. Seek Advice

This guide is not professional advice and we recommend that you seek advice before finalising accounts or filing any taxation returns.