

Fact sheet: Sponsorship

Sponsorship of Community Events/Teams

General Rule

If you provide sponsorship for your team or community event, depending on the type of sponsorship and as long as your business is being promoted, it may be completely deductible.

Fully deductible sponsorship

For sponsorship to be fully deductible, it needs to satisfy the general deductibility test. The IRD must be satisfied that the expense is in connection with advertising, and not a private expense on a recreational pastime. Therefore, for the expense to be deductible, the business must be promoted in some way, and the recipient of the sponsorship must also benefit from the expenditure.

Two examples of fully deductible sponsorship:

- Sponsoring \$2,000 towards the local rugby league team's new uniforms. In return, the team agrees to display your business logo on the uniforms
- Sponsoring \$10,000 towards the Life Education Trust — "Colour for Life" event. In return, the trust agrees to advertise your business in all media publications

Expenditure on sponsorship of a capital nature

If the expenditure is of a capital nature, such as a permanent neon sign or billboard, it is not fully deductible, and needs to be capitalised and depreciated as follows: —

- Neon sign — Depreciation rate of 21.6% on a diminishing value base
- Non electrical sign — Depreciation rate of 11.4% on a diminishing value base

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