



Understanding Deductible Meal Expenses for Your Businesses

Eligibility Criteria

Understanding what qualifies as a deductible meal expense for tax purposes can help small business owners avoid costly reassessments if the Canada Revenue Agency (CRA) reviews this category of business deductions. The CRA allows businesses to deduct meal expenses that are incurred to earn business income.

Here are the general conditions to be aware of:

1. **Business Purpose:** The meal expense must be directly related to the business. This means the expense should be incurred while conducting business, such as meetings with clients, potential clients, or business partners. This does not mean that because you are too busy with a heavy workload you need an Uber Eats lunch supplied. That would be considered a personal expense.
2. **Reasonableness:** The cost of the meal should be reasonable in relation to the context in which it is incurred. Lavish or extravagant expenses are unlikely to be considered reasonable and may not be fully deductible.
3. **Documented Proof:** Keep detailed records of all meal expenses, including receipts and the purpose of the meal. The documentation should include the date, location, attendees, and the business purpose.

Deduction Limitations

The CRA imposes a limitation on the amount of meal expenses that can be deducted. Generally, only 50% of the meal expense is allowed as a deduction. This applies to meals consumed during business meetings, conferences, and travel related to business activities.

Exceptions to the 50% Rule

There are certain circumstances where the 50% limit does not apply, and the full cost of the meal can be deducted. These exceptions include:

1. **Special Events for Employees:** Meals provided at a Christmas party, annual picnic, or other special events for all employees, for up to 6 events per year, are 100% deductible.
2. **Meals Included in Employee Income:** If the cost of the meal is included in an employee's income as a taxable benefit, the employer can deduct 100% of the expense.

[continued...]

Exceptions to the 50% Rule (continued)

3. **Invoicing the customer:** If the cost of the meal is itemized on your invoice to your customer, it is 100% deductible.
4. **A business that typically provides food & beverage as their main source of revenue:** such as a restaurant or hotel, can deduct 100% of meals.
5. **Long-haul Truck Drivers:** Provided they are away for 24 continuous hours and are driving a long-haul truck that transports goods to or from a location that is at least 160 km from the place of work/business, 80% of the meal can be deducted.
6. **Remote work locations:** When meals are provided at work camps, where it is not reasonable for the employee to return home at the end of the day, 100% of the meal cost is deductible.

Tips for Claiming Meal Expenses

A couple of last points to make about claiming your meals expenses.

Documentation is key: It's important to maintain accurate records because CRA will always scrutinize this type of expense when auditing a business. Ensure you keep all receipts and records of meal expenses. Note the names of attendees and the business purpose on the receipts.

Use a Business Credit Card: Paying for meals with a business credit card can help keep personal and business expenses separate, making it easier to track and claim deductions.

By understanding the eligibility criteria, limitations, and exceptions, business owners can ensure they are accurately claiming these expenses.

