

Christmas parties and gifts – with a twist

December 2020

As the festive season is drawing closer, more staff Christmas parties are being cancelled as it becomes clear that we will not be able to celebrate in the usual manner. All is not lost, however, as there are still other ways in which you could celebrate or, instead, you could consider providing your employees with a Christmas gift.

When deciding how you may want to show your appreciation at Christmas there are, however, some important things to consider to ensure that you do not upset the tax man!

Annual parties of up to £150 per head can be held without any tax implications. It will be treated as a tax-free benefit for employees and an allowable expense for the employer providing the total cost over the year does not exceed £150 (including VAT) and if it is open to all staff (or all staff at a particular location).

As Christmas parties this year are unlikely to be viable in person, some creativity may be required to celebrate, which could include a virtual party.

This might involve sending a hamper to each employee with food, drink, and other goodies to enjoy during the party. HMRC has recently updated its guidance to confirm that such an event would fall within the annual exemption, providing the total cost remains below the £150 limit

The £150 limit can be spread across numerous events, but the total cost must not exceed £150 per head, per year. For example, if there are three events held at a cost of £75, £80 and £60 per head each, the latter two can be claimed as exempt but the first event will be taxable in full (it is not possible to just tax the excess over £150). If you are thinking of delaying your Christmas party to the Spring or Summer next year, this could result in two Christmas parties within the same tax year. The limit may, therefore, be of particular importance here to ensure that you do not inadvertently create tax issues for the business and your employees.

If a virtual party is not inspiring you, perhaps a gift to an employee could instead be considered. This can be tax free if it is classed as a 'trivial benefit'. The cost must be less than £50 (including VAT) each time and it cannot be cash or a cash voucher, but high street vouchers are permissible. Classic gifts of a turkey, wine or chocolate would all be fine providing the cost per head does not exceed the £50 limit.

As always with tax, there are certain conditions to be met for the benefit to qualify as tax-exempt including that it must be a genuine gift and not in recognition of, or a reward for, the employee's work. We would recommend advice is sought prior to providing such benefits to avoid a surprise tax and national insurance bill for the company and its employees.

From all of us at Hazlewoods, we hope you have a Merry Christmas.



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