

# Christmas is coming!

...so it's likely that your thoughts are turning to staff parties, celebrations or events, or maybe giving gifts to the people that work for you.

If this is the case, you can use the tax free allowance of £150 per head, per year, but as ever with HMRC, there are conditions that need to be met. These are as follows:

- The total cost of the event cannot exceed £150 per head, per year, including all costs relating to the event, so including things like taxis home, prizes, entertainment and VAT. £150 is an absolute limit, so if the total per head ends up at £151, the whole amount becomes taxable on the very people you were trying to reward, and will need either to be declared on a P11D for them, and incur a tax bill or you should enter into a PAYE settlement agreement with HMRC.
- Any event must be for all employees, not just senior staff or directors.
- Other guests may be invited, but the main purpose must be the entertainment of all staff.
- Within the £150, you can have additional 'annual events' but the total of all of them must be less than £150 over the tax year.

Within the business' accounts, it is useful to know how costs are split between entertaining staff and any clients or customers you may invite as the tax implications are different, so keep a clear record of any expenses as they arise and who attends the event.

**EMPLOYEE GIFTS** - Cash or vouchers that you give to your team at Christmas will always be taxable and must be shown in the payroll, but 'small gifts' are not. The distinction between what is taxable and what isn't can be vague though, with the definition of 'trivial' being the key.

Any gift you give must be classable as 'trivial' to the recipient rather than to you. HMRC give examples of items such as a turkey, or a bottle of 'ordinary' wine, or a box of chocolates. If the gift cannot be classed as 'trivial' the value of it will again be taxable on the employee and should appear on a P11D or in a settlement agreement. **Give us a call if you aren't sure**, as there are no hard and fast rules from HMRC to help you decide!

If your staff are lucky enough to receive gifts from grateful customers, as long as the value is beneath £250 there will be no tax charge on them, but of course you should be aware of the implications of the Bribery Act.

VAT is recoverable on employee entertaining, but not for guests, or former staff members, so again, keep careful note of who attends and apportion the costs accordingly. Where a party is just for directors, partners or sole traders, VAT cannot be reclaimed, but it can for a party where there are other members of staff.

As ever, if you have **any questions or doubts** on the above or any other subject, **contact us!**