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# Guide to Tax Relief for Festive Gifts and Christmas Parties

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# 'Tis the season of giving



We've put together this handy guide to explain what tax relief you can receive when you gift employees, clients and charities this festive season.

You may want to thank your employees for their hard work, throw a virtual staff party or give a gift to a client.

It's important to understand what can and cannot be claimed through the expenses of your limited company, so as not to overspend and potentially avoid all tax relief.



# Employee Christmas presents

Your employee will not be charged tax on trivial benefits if Christmas gifts follow these 4 rules:

- It costs you £50 per person or less
- It isn't cash or a cash voucher
- It isn't a reward for their work or performance
- It isn't in the terms of their contract

Gifts of a higher value would be classed as a benefit in kind to your employee and will need to be declared on a P11D form. The additional tax will be owed to HMRC.

## Employee bonuses

It's important to understand that even though it's a bonus, this payment is still subject to the standard deductions of PAYE and National insurance, as with any payroll payment.

## Gifts to customers and clients

HMRC will allow you to give a business gift worth up to £50 to any one person in any one tax year.

The gift must be a business gift, e.g. a business diary and can't be food, alcohol, tobacco or vouchers which are exchangeable for food, drink or tobacco.

So why not treat your clients to a company branded calendar or mug to ease them into the New Year.



# Christmas parties

Very few of us have the option of a proper festive knees-up this year, but the tax relief can apply to any annual party, so you could plan a summer ball instead.

To qualify for the tax relief and be classed as an allowable business expense, the party has to be open to all employees and have a total cost of less than £150 per person inc VAT.

You are able to have more than one function in the year, which in total can cost up to £150 per person, and still receive the tax relief.

## Parties costing more than £150 per person

If your party exceeds £150 per person, even by £1, you cannot claim tax relief on any of the cost.

If you exceed the limit by having multiple events, you can claim one event that was up to the cost of £150 per person as an allowable business expense.

E.g. If your summer BBQ costs £90 per person and the Christmas party is £200 per person, you can only claim the tax relief on the £90 per person for the BBQ.

## Virtual Christmas parties

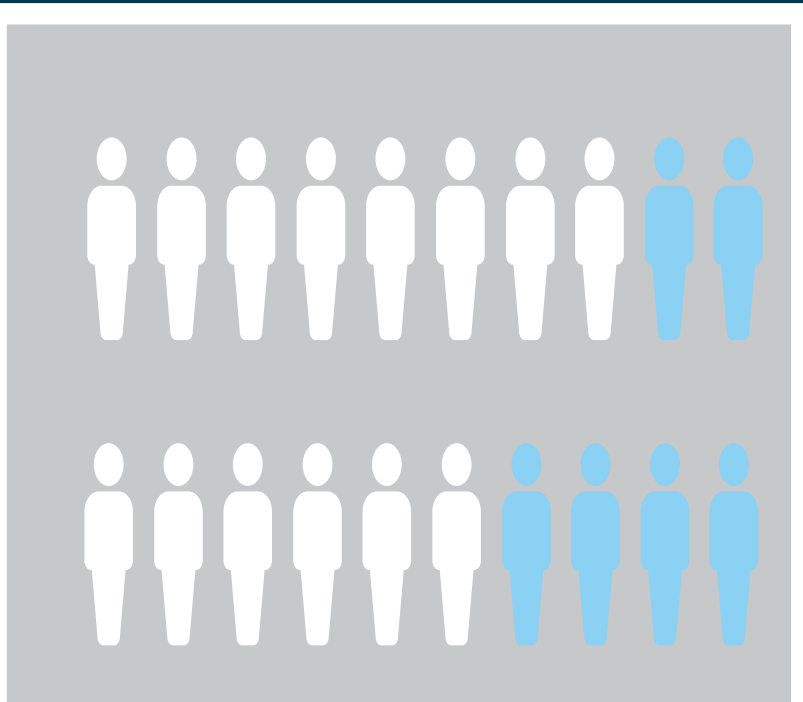
If you're thinking of having your celebration during the festive season over Zoom, the same rules apply. If it's open to all employees and you spend less than £150 per person, you can claim the virtual party as an allowable business expense.

## Charitable donations

Many people like to give to charities during the festive period and if you donate through your business account, you can reduce your annual corporation tax bill.

When it comes to finalising your year-end accounts, your accountant would deduct the donation amount from the business profits before working out the corporation tax amount.





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