

The Season of Goodwill, Gifts and Parties

Employers who want to show their appreciation to their staff this Christmas will find the seasonal goodwill stretches further with a party than with a gift. This is the view of Bob McTear, a member of the National Association of Specialist Dental Accountants, who has issued guidance to employers who want to reward their staff this Christmas.

Employers can spend up to £150 per employee on the cost of parties or entertaining, which means if there are no other parties in the year, the Christmas party can be a generous one. Meanwhile, gifts to employees must fall into the category of trivial, says Bob, or a taxable benefit in kind will arise.

By trivial, HMRC means something like a bottle of wine, flowers or chocolates. Said Bob: "There are no set rules for determining the type of benefit that is trivial, and there is no set monetary limit below which benefits are deemed to be trivial in amount. You will have to apply common sense and judgment both to the type and the amount of benefits that may be trivial."

If, on the other hand, the employer wants to give a more substantial gift to their employee, and they want to avoid a situation where an employee is paying tax on the gift, the employer should set up an arrangement with their HM Revenue and Customs office (a PAYE Settlement Agreement) or report the benefit on end of year forms P9D/P11D.

On the other hand, if you decide to throw a party, the main points are:

Tax and National Insurance are not due on the cost of a party for employees if the annual cost is less than £150 per employee including VAT and transport and accommodation. (This is the annual cost of all entertaining so if you had a staff barbecue in the summer you must take this into account as well.)

If the employees bring along their partners to a party as long as the cost per head of the party is less than £150, there is no taxable benefit (remember the £150 is each tax year)

Bob stressed: "BEWARE! If the annual cost of entertaining exceeds £150 then the whole cost becomes taxable and must be included within a PAYE Settlement Agreement, not just the excess over £150! And any Christmas bonuses or cash gifts to employees should be treated in the same way as normal pay."

Bob McTear is a chartered accountant and a partner in Humphrey and Co and a member of NASDA. To find out more about NASDA, call 0870 6010 230 or visit www.nasda.org.uk