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David Beckman & Co Ltd

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STAFF PARTIES

The cost of a staff party up to £150 per person or other annual event is tax deductible for your business provided the following rules are followed:

1. The event must be open to all employees at a particular location.
2. The cost is only tax deductible for employees and their partners/spouses. This covers directors in a company but not a sole trader or a partner within a partnership. If you are the sole director and your partner/spouse is either a co-director, employee or company secretary, then you can avail of this tax break, even if you don't have any other employees.
3. The tax deduction only applies to an "Annual" event. This could cover two events for all employees in the year but it does not cover regular staff entertaining such a monthly drink or meal at a pub.
4. The average costs per head of the functions (probably maximum two in a year) must not exceed £150 per annum per head. An attending partner/spouse is included in the head count when computing the cost per head.
5. All costs must be taken into account including the costs of transport to and from the event, accommodation provided, any bands or disc jockeys etc, plus the VAT. The total cost of the event is divided by the number attending to find the average cost per head. If the limit is exceeded, then the whole cost of the event per head is taxed on the individual employee, plus the cost for any guests/non-employees they brought with them. If you have say two events in the year, if the combined cost comes to less than £150 per head, you can claim the full cost of both events. If the combined cost exceeds £150, you can claim for the event which cost the most but not for any of the other event.
6. VAT can be recovered on staff entertaining costs (but not if you are using the Flat Rate Scheme for VAT). If a partner/spouse of an employee or a customer/contact attends, the VAT on the cost attributable to that person is not recoverable.
7. Where customers or suppliers etc. attend a staff party, the cost attributable to them is entertainment and is not tax deductible and the input VAT on these costs is not recoverable, unless they are overseas customers.
8. If non-staff pay a "reasonable" contribution to the event, then the VAT on their costs would be wholly recoverable but you need to account for output VAT on the consideration you receive.



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GIFTS TO THIRD PARTIES

The cost of gifts to **customers, key partners or contacts** is allowable for tax – so long as the following 3 criteria are all met: –

- * The amount spent per customer is £50 or less
- * The item in question is NOT alcohol, food or tobacco
- * Your company name is conspicuous on the gift itself.

Thus, if you give out bottles of wine, it makes sense to put the invoice through the business. You don't get the tax relief for what you spend, but at least it's the business rather than you personally paying for it.

You can though give 'trivial' gifts to your **staff** and claim the cost against tax. The HMRC handbook on this says.... "An employer may provide employees with a seasonal gift, such as a turkey, an ordinary bottle of wine or a box of chocolates at Christmas. All of these gifts are considered to be trivial and as such are not taxable".

So go ahead and celebrate this festive season in style! Spread a little happiness and cheer.

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