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# Season's Greetings

A few ideas to improve your Christmas  
and New Year's break



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**No-one is going to disagree that the last few years have been stressful. Aside from the gloomy economic indicators we have had to cope with, we have also had to contend with COVID disruptions.**

**Which is why it would be good to relax and unwind, during the forthcoming Christmas, New Year holiday.**

**To help, we have listed below some strategies for businesses and individuals, to make the most of tax concessions available that will hopefully boost your enjoyment of the Christmas / New Year break, and a couple of ideas to spread goodwill into your local communities.**

## **FOR BUSINESSES**

### **Christmas party**

If you are organising a celebration with your staff, it is possible to claim tax relief for any costs involved and do so without creating taxable benefits for you or your staff. The tax advantages also apply to partners/spouses of employees. 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. These costs are also fully tax deductible.

The present limit for the tax-free allowance for the provision of an annual party is £150 per head. If this amount is exceeded, the full cost of the benefit is taxable not just the excess over £150.

The event must be open to all employees and be an annual recurring event.

If customers or key suppliers attend such an annual event, the cost attributable to them should be posted to entertaining (which is subsequently disallowed for tax), rather than staff welfare.

Where it's not possible to calculate individual costs, an averaging process can be adopted. There are also other considerations that must be met to qualify for this relief. For example, if your business has more than one location, an annual event that's open to all of your staff based at one location still counts as exempt. You can also put on separate parties for different departments, as long as all of your employees can attend one of them.

### **Christmas gifts**

Another way to benefit staff is to consider making small gifts.

You don't have to pay tax on a benefit (gift) to your employee if all of the following conditions are complied with:

- it cost you £50 or less to provide;
- it isn't cash or a cash voucher;
- it isn't a reward for their work or performance; and
- it isn't in the terms of their contract of employment

Gifts that fall into this category have been labelled by HMRC as a 'trivial benefit'; and whilst they may be much more than trivial in substance, you don't need to pay tax or National Insurance or let HMRC know you are making the gift.

Gifts to directors are treated in a similar fashion with one over-riding condition: a director cannot receive trivial gifts of more than £300 in total each tax year.

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

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

### **Watch out for VAT charge**

If you recover the input tax charged when you buy gifts for employees, and if the total value of gifts given to an employee in a tax year exceeds £50, then you will have to account for VAT on the total value of gifts provided. If this is the case, you may be advised to avoid recovering the VAT in the first place.

### **A baker's gift**

HMRC have confirmed that if a baker reduces the price of fresh bread at the end of the day, this is a normal commercial transaction (as the bread will be worthless by the next day) and the cost is allowed in full.

As an increasing number of people are challenged by the current cost of living crisis, retailers who sell perishable goods may be able to spread a little goodwill by distributing unsold goods in this way.

## **FOR INDIVIDUALS**

### **Charitable donations**

Finally, you may want to increase the number or value of charitable gifts you make.

Charities serving your local community will be especially grateful for donations received over the Christmas period.

**What's more**, if you are a higher rate taxpayer, you will get 25% further tax relief x the amount donated, via your tax return and the eventual tax bill for that year.

### **Need more information?**

If you need more information regarding any of the topics covered in this update, please call.

And finally we'd like to wish all our clients and contacts a happy Christmas and New Year.

Best regards

David

***P.S. Our office is officially closed from 24 December 2022 to 2 January 2023 inclusive – we reopen on Tuesday 3 January 2023.***