



# FAQ

## Tell me more about Christmas Gifting

### Christmas Gifts to staff

The tax treatment on gifts to staff very much depends on whether it is perceived to be a Trivial Benefit or a Non Trivial Benefit and what the gift is.

#### Cash or vouchers

Christmas gifts to employees which are paid in cash, or vouchers which are exchangeable for cash, will be treated as taxable earnings so subject to Tax and National Insurance (NI) deductions.

Non-cash vouchers which are only exchangeable for goods or services can benefit from the 'trivial' tax rules so you could provide employees with a high street or store voucher.

**IMPORTANT - This information is for general guidance only so we recommend you speak to us before you firm up any gifting plans so that we can tailor our advice to your particular circumstances.**

## What is classed as Trivial?

Employers can provide employees with trivial benefits without incurring tax or National Insurance contributions (NICs) liabilities. To qualify as a trivial benefit, the gift must meet the following conditions:

- The cost of providing the benefit does not exceed £50 per employee.
- The benefit is not provided as part of the employee's contractual obligations.
- The benefit is not cash or a cash voucher.
- The benefit is not part of a salary sacrifice arrangement.
- The gift is not provided in recognition of particular services performed by the employee as part of their employment duties (or in anticipation of such services).

If the gift vouchers are provided to employees as part of a regular rewards program, bonus scheme, or contractual obligation, they are more likely to be treated as taxable income. In such cases, they should be included in the employee's earnings for tax and NICs purposes.

## Is a Christmas Party tax free?

This is another question that we often get asked in the run up to the festive period. A staff party or other entertainment such as a meal does qualify as a tax free benefit, as long as it meets all the following criteria:

- The primary purpose must be staff entertainment
- It must be available to all employees generally, or to all employees at a particular location
  - Employers that hold separate events for different departments or divisions can still satisfy this part of the exemption, as long as all employees have the option of attending at least one of those events.
- It must be an annual event (HMRC does not currently expect the same event to be held every year, but it should be of an annual nature such as Christmas Party.)
- It must cost the employer £150 or less per attendee.
  - The £150 limit includes VAT plus any additional associated costs such as related travel and overnight accommodation expenses met by the employer.

Please do ensure that you account for all associated costs before working out the cost per head. If you go over the £150 threshold, the whole cost will become subject to income tax and NI contributions.

This exemption can cover more than one event, as long as the conditions above are met and the cost of the events do not exceed £150 in aggregate for the tax year. If they do then whichever functions best utilise the £150 are exempt, but others taxable.



Employers are responsible for reporting any taxable gift vouchers provided to employees and for deducting the appropriate income tax and NICs. The taxable value of the gift vouchers should be included on the employee's P11D form or reported through the PAYE (Pay As You Earn) system.

It's crucial to ensure that you comply with the current tax regulations and consult with HMRC or a tax professional when providing gift vouchers to staff, especially if the value exceeds the trivial benefits threshold. The specific treatment may also depend on the individual circumstances and the employer's policies.



Do take care when considering gifts and entertainment at Christmas to ensure that you do not fall foul of the tax rules, otherwise your gift might become somewhat unwanted by your employees.

For any assistance with this or any other tax related enquiry, please do not hesitate to contact Forrester Boyd.