



PEARSON MAY

CHARTERED ACCOUNTANTS & CHARTERED TAX ADVISERS

Originated 1841

November 2025

CHRISTMAS PARTIES AND FESTIVE GIFTS

As the festive season approaches, many employers will be looking for ways to reward their teams' hard work. But how can you do that in a tax-efficient way that benefits both you and your employees? In most cases, work Christmas parties and gifts for staff members are tax-deductible. However, employers will need to consider the tax and National Insurance implications of such benefits. After all, there's nothing more festive than sitting down to examine the tax legislation before you commit to that party!

Tax and National Insurance

Where Christmas parties are concerned, the total cost of holding these can usually be offset in full against your profits. There is also an exemption for employees from both Income Tax and National Insurance up to a cost of £150 per head (including partners/spouses etc.), as long as all employees are invited, either within the firm as a whole or at a particular location or office.

The exemption applies to an annual party or similar annual event provided for employees and there can be more than one per year, as long as the combined cost of the events is no more than £150 (including VAT) per head.

VAT Position

As a general rule, any VAT incurred on the cost of entertaining non-staff, e.g. clients/customers, suppliers and other business contacts, is not reclaimable. Therefore, it is only the element of the cost of the staff party which directly relates to employees, i.e. excluding spouses/partners etc, on which VAT can be reclaimed.

Christmas Gifts

Gifts are dealt with separately but there is a special exemption which HMRC give to so called "trivial benefits". These tax-deductible trivial benefits can be provided to staff without the employee being taxed on the value of the gift.

A benefit is treated as trivial if it meets all of the following conditions:

- the cost of providing the benefit must not exceed £50;
- the benefit must not be cash or a "cash voucher", but gift vouchers should be fine;
- the employee must not be entitled to the benefit contractually (including as a result of salary sacrifice); and
- the benefit must not be in recognition of services performed by the employee as part of their employment.

It is important to note that if the cost of the benefit exceeds £50, even by a very small amount, the whole sum becomes chargeable to tax, not just the excess.

Somewhat generously, the exemption applies to each individual benefit in isolation and there is no limit on the number of trivial benefits an employee may receive in the tax year, unless he or she is a director of the company, in which case there is an aggregate annual cap of £300.

The above is for general guidance only and no action should be taken without obtaining specific advice.

Bath

37 Great Pulteney Street
Bath
BA2 4DA
+44 (0) 1225 460491

Chippenham

67 & 68 St Mary Street
Chippenham, Wiltshire
SN15 3JF
+44 (0) 1249 444666

Trowbridge

5 Wicker Hill
Trowbridge, Wiltshire
BA14 8JS
+44 (0) 1225 764441

Regulated for a range of investment business activities and licensed to carry out the reserved legal activity of non-contentious probate in England and Wales by the Institute of Chartered Accountants in England & Wales. Registered with The Chartered Institute of Taxation as a firm of Chartered Tax Advisers.

