

Buying gifts for employees and clients - what you can claim

Introduction

This article explains the tax implications of giving gifts to both clients and employees.

Business gifts to clients

HMRC will allow you to give a business gift worth up to £50 to any one person in any one tax year.

The gift must be a business gift, e.g. business diary and must not be food, alcoholic drink or tobacco or vouchers which are exchangeable for food, drink or tobacco.

The gift must carry a conspicuous advertisement for your company in order to avoid being classified as entertainment expenses which would not be allowable.

If the gift costs more than £50, HMRC will disallow the whole amount, not just the amount over £50!

Gifts to staff

Parties

HMRC will allow you to spend up to £150 per employee on a Christmas (or other) party.

The party can be at any time of the year and can be split over two or more events, as long as the total spend per employee is not more than £150.

Beware – if you go even a small amount over the £150 limit, then the entire amount would be disallowed – not just the excess over £150!

If employees' husbands/wives/partners go to the party, the expenditure will be allowed for tax, as long as the total expenditure for the party, including guests, amounts to no more than £150 per employee attending.

When making your claim for input VAT however, you should bear in mind that Customs & Excise view the expenditure on persons who are not employees to be entertainment and as such, you cannot claim the VAT on that proportion of the expenditure. In such cases, you will need to split the bill according to how many people are employees and how many are guests.

In the context of your one man company, there is nothing to stop you taking out the company secretary for an "office party for two" but just remember to keep the cost down to £150 per employee – that's £300 for the two of you.

Other gifts

Apart from the party allowance above, any other gifts to staff are taxable.

Gifts of money, e.g. bonuses, must be put through the payroll system and taxed in the usual way and any other gifts must be included on form P11D.


Wedding gifts

A wedding gift to a member of staff may escape tax in the hands of the employee, if it can be regarded as having been made on personal grounds, rather than as a reward for acting as an employee.

Any such gift would need to be seen as being reasonable in the circumstances, i.e. a genuine gift to a third party employee.

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Expert Contributor

David Colom
Principal
D J Colom & Co Chartered
Accountants

David Colom qualified as a Chartered Accountant in the City of London in 1981 and is the founder and principal of D J Colom & Co Chartered Accountants established in 1989.

Started specialising in serving IT contractors in 1993 and is now one of the longest standing suppliers of accountancy services to computer contractors. [Read Full Profile...](#)

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