

TAX TREATMENT OF ANNUAL STAFF PARTIES

BENEFIT IN KIND

Good to know...

Where an "annual party or similar annual function" is generally available to all employees, this is **not taxable** on the employees provided that the cost per head including VAT does not exceed £150.

There is nothing to say that such a party can't be provided where all employees are directors but "casual hospitality" is not considered to be an annual function for this purpose.

The £150 per head limit is calculated based on the total number of guests including any non-employees. If the cost of the function exceeds £150 per head then the full amount will be taxable, not just the excess.

VAT

If the annual party includes employees and non-employees, input VAT can only be recovered on the expenditure related to the employees, unless a charge is made to non-employees to attend the event. Where entertainment is provided only for directors, input VAT is not recoverable. However, where directors attend along with other employees then the VAT on the cost of them attending is recoverable.



CORPORATION TAX

As third party entertainment is not tax deductible, only the cost of the function which is attributable to employees is allowable for corporation tax purposes.

