

# What to consider with gifts?



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Accounting | Tax | Advisory



## Which gifts are allowable expenses, and which are disallowable?

### Allowable for Corporation Tax:

-  Gifts to members of staff
-  A gift to a customer that costs less than £50 as long as it is a conspicuous advertisement for the business. The gift cannot be food, drink, or tobacco. In addition, the gift cannot be a voucher that could be exchanged for goods.
-  One trade sample per year to each customer. If the trade sample is given with the intention that it will be resold it will not qualify.

### Disallowable for Corporation Tax:

-  A gift that does not meet the above criteria

## If I give a gift to staff, can the company and employee incur a tax liability?

This depends on the gift, as explained below.

Cash Gifts are treated as earnings and will therefore be run through the company payroll. The employee will incur National Insurance and Income Tax liabilities as a result whilst the company will potentially incur increased minimum pension contributions and employer national insurance contributions arising from the cash gift.



A gift that costs less than £50 will not incur a tax liability related to a taxable benefit. However, if the gift is a work-related incentive (e.g. the gift is only given in return for working additional hours) it does not qualify for the exemption. Any vouchers that could be exchanged for cash will also not qualify for the exemption regardless of their value.



A gift over £50, vouchers and gifts offered as a work-related incentive must be reported to HMRC via a P11D or PSA and therefore a tax liability is incurred.

## If my gift is taxable what happens next?

The gift will have to be reported on a P11D or a PSA. If the gift is reported on a P11D then both the employee and employer will incur additional tax liabilities per the below.

-  The employer will incur Class 1A National Insurance which is currently set at 13.8% for the 20/21 tax year
-  HMRC will collect Income Tax from the employee through a reduction in their personal allowance

If you would like to prevent the employee from paying tax on the gift they receive from you, the company could report the gift via a PSA and pay the employees' tax on their behalf.