

Christmas Parties

Here's a breakdown of the tax-free allowances for Christmas parties in the UK:

The £150 per head rule

- You can spend up to £150 per head (including VAT) on an annual staff event, like a Christmas party, and it will be tax-free for your employees.
- This covers everything: food, drinks, entertainment, venue hire, even transport and accommodation if provided.
- **Important:** This is a limit, not an allowance. If you go over £150 per head, the *entire* amount becomes taxable, not just the excess.

Key conditions for the exemption:

- **Annual event:** It should be a recurring event, like your annual Christmas party. One-off events (e.g., celebrating a company milestone) don't qualify.
- **Open to all employees:** The party should be for all staff, or all staff at a particular location if your company has multiple branches.
- **Primarily for employee entertainment:** While guests are allowed (partners, spouses), the main purpose should be to entertain your employees.

What happens if you exceed the limit?

- If you go over the £150 per head limit, the whole amount is treated as a taxable benefit for your employees.
- This means they'll have to pay income tax on it, and you'll need to report it on their P11D forms.
- You'll also have to pay Class 1A National Insurance contributions on the benefit.

Other things to keep in mind:

- **Multiple events:** If you have more than one annual event, the £150 limit applies to the total cost per head across all events.
- **VAT:** You can usually reclaim the VAT on your Christmas party expenses if it's primarily for employees.
- **Gifts:** Small gifts (under £50) to employees are usually tax-free as "trivial benefits," as long as they're not cash or cash vouchers and aren't a reward for performance.

Tips for staying within the limit:

- **Plan ahead:** Set a budget and track your spending carefully.
- **Consider alternative venues:** Look for more affordable options.
- **DIY decorations:** Get creative with homemade decorations instead of buying expensive ones.

- **Limit guest numbers:** If you're on a tight budget, consider not including partners or spouses.

Need more help?

- HMRC has detailed guidance on staff entertaining.
- An accountant can provide personalized advice for your business.

I hope this helps you plan a fantastic and tax-efficient Christmas party for your team!