

## Providing Business Christmas Gifts

Providing Christmas gifts can be a thoughtful gesture, but it's essential to understand the tax consequences to avoid unexpected liabilities. The tax treatment for gifts differs depending on whether they are for staff, or customers and suppliers. Here's a breakdown:

### 1. Gifts to Staff

#### ***Tax-Free Gifts: Trivial Benefits***

A gift can qualify as a tax-free trivial benefit if:

- It costs £50 or less per employee.
- It isn't cash or a cash voucher (non-cash vouchers like store vouchers are fine).
- It isn't a reward for performance or work.
- It isn't provided under a salary sacrifice arrangement.

If all the above conditions are met, there's no need to report the gift to HMRC, and it's exempt from Income Tax and National Insurance Contributions (NICs).

#### ***Non-Trivial Gifts***

If the cost of the gift exceeds £50 or fails to meet any of the above conditions the entire value (not just the excess over £50) becomes taxable. The benefit must be reported on form P11D, and Class 1A NICs apply. Employers may choose to cover the tax via a PAYE Settlement Agreement (PSA).

### ***Deductibility for the Employer***

Gifts to staff are generally tax-deductible for the business as they are considered part of employee welfare expenses.

### **2. Gifts to Customers and Suppliers**

**General Rule:** Gifts to customers and suppliers are treated as business entertaining, which is not tax-deductible for corporation tax purposes.

**Exceptions:** The gift is not food, drink, tobacco, or vouchers. It bears a clear business logo or advertisement. The total value per recipient in a tax year does not exceed £50.

**VAT Considerations:** Input VAT on customer gifts can usually be reclaimed, provided the gift meets the criteria for tax deductibility. If the total cost of gifts to a single customer or supplier exceeds £50 in a 12-month period, VAT must be accounted for as output VAT on the value of the gifts.



We would recommend that you maintain clear records of the cost, nature, and recipient of all gifts to support your tax position in the event of an HMRC enquiry. By planning Christmas gifts within the outlined tax rules, you can spread goodwill without incurring unnecessary tax liabilities.