

# Seasons' greetings

## Making merry using available tax breaks

**We are approaching the end of two years COVID disruption and in need of distraction...**

**This update takes you through the tax allowances and reliefs that will help you celebrate with your business colleagues, family and friends this Christmas and New Year holiday period and claim any costs as a tax-allowable deduction.**

### Christmas magic and tax write-off

Christmas is usually a time for people to get together, and an opportunity for you to celebrate with your team. That's been difficult in recent years, but this year, perhaps can be a bit better. So, instead of the usual Christmas party, why not do something a bit different?

### Don't underrate team building

As the economy starts to move towards higher activity levels we are increasingly living in a world of skill and labour shortages. Activities have been proven to increase engagement, protect mental health and assist in job retention and recruitment.

***Team building activities are fully tax deductible and do not have to be open to all employees so can be targeted at specific groups.***

***You must be wary of getting caught in the entertainment trap so the design of the team building exercise must be made carefully.***

### Other tax breaks available

The tax breaks you could utilise this Christmas include:

- You can spend up to £50 per employee as long as it's not in the form of cash or vouchers and isn't a payment required by contractual obligations or as a reward for work performance.
- If you are organising an annual Christmas party or other social activity - that is open to all your employees - you can spend on average up to £150 per person (inc. VAT). Guests of staff are included in the overall headcount. As long as you comply with these conditions you can deduct the total cost from your taxable profits.
- All costs must be considered, including the costs of transport to and from the event, accommodation provided, and VAT. The total cost of the event is divided by the number attending to find the average cost. If the limit of £150 per head is exceeded then individual members of staff will be taxable on their average cost, plus the cost for any guests they were permitted to bring.
- VAT input tax can be recovered on staff entertaining expenditure. If the guests of staff are also invited to the event the input tax should be apportioned, as the VAT applicable to non-staff is not recoverable. However, if non-staff attendees pay a reasonable contribution to the event, all the VAT can be reclaimed and of course output tax should be accounted for on the amount of the contributions.

## Still time to get organised

If you have a year-end event in mind to de-stress your team this Christmas and are concerned to make sure that there are no issues claiming a full tax deduction for any costs involved, please call.

And if you have any friends, family, or business colleagues that you think may be interested in this update, feel free to forward them a copy, with our compliments.

Merry Christmas and all the very best for 2022.

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