

Tax-Free Gifts to Staff

In an environment where most employee ‘perks’ are subject to tax it may be helpful for you as an employer to be aware of the few concessions that have been made by HM Revenue & Customs.

Long Service Awards

Long service awards are allowed within strict limits. There will be no tax charge so long as the employee has been with you for at least 20 years and the article given has a value not exceeding £50 for each year of service.

Suggestion Scheme Awards

Such awards must be made under a properly constituted suggestion scheme, based on a set percentage of the expected financial benefit to your business. The maximum award allowed is £5,000. There is also a concession for ‘encouragement awards’ of £25 or less to reflect meritorious effort on the part of the employee concerned

Staff Parties

Staff annual functions (e.g. a dinner dance or Christmas party) are tax-free where the total cost per person attending is not more than £150 per year (including VAT).

Promotional Gifts

Such items are normally purchased for advertising purposes and must display a ‘conspicuous advertisement’. Staff may receive promotional gifts tax-free provided that the overall cost of the articles involved does not exceed £50 per person per year.

Gifts of food, drink, tobacco or vouchers are specifically excluded.

For details of other non taxable benefits, see our fact sheet on ‘*Benefits in Kind & Expenses Payments*’.