

Season of goodwill

If you plan to reward staff be careful of tax implications, says **Bob McTear**.

When it comes to giving presents in a business context, the important word is 'trivial' since these gifts to employees do not need to be reported to the Inland Revenue. There are no set rules for determining the type of benefit that is trivial, and there is no set monetary limit below which benefits are deemed to be trivial in amount. You will have to apply common sense and judgment both to the type and the amount of benefits that may be trivial.

An employer may provide an employee with a small gift, such as an arrangement of flowers. As long as this is made in recognition of a

Cash benefits should not be registered as trivial and must be included in a Settlement Agreement.

particular event (for example, an employee's marriage or birth of a child), and is not part of any reward for services, the benefit should be treated as trivial. If a benefit is trivial it is not taxable and need not be reported to HM Revenue and Customs.

Cash benefits, or those with a financial value, such as non-cash vouchers, however small in amount, are taxable and should be included in a PAYE Settlement Agreement (see page 24). ↻



Bob McTear
is a Chartered Accountant and a member of NASDA.

● An employer may provide an employee with a small gift, such as an arrangement of flowers. This benefit should be treated as trivial.

Seasonal gifts

An employer may provide employees with a seasonal gift, such as a turkey, an ordinary bottle of wine or a box of chocolates at Christmas. All these gifts are considered to be trivial and as such are not taxable. For an employer with a large number of employees the total cost of providing a gift to each employee may be considerable, but where the gift to each employee is a trivial benefit, this principle applies regardless of the total cost to the employer and the number of employees concerned.

If the gift extends beyond one of the items mentioned above, for example from a bottle or two to a case of wine, or from a turkey to a Christmas hamper, you will need to consider the contents and cost before being able to determine whether the benefit is trivial. In such cases you should treat all the factors objectively and use your judgment.

If the gift is beyond a 'trivial gift' then you need to set up an arrangement with your HMRC office (a PAYE Settlement Agreement) or report the gifts on end of year forms P9D/P11D.

Any Christmas bonuses or cash gifts to employees should be treated in the same way as normal pay.

Staff parties

Many of you will want to thank your staff with a Christmas celebration. It is important to remember the tax rules or your generosity could end up costing you more than you think. The main

When gifts to employees do not fall in the category of trivial or entertaining employees exceeds £150 pa they become a taxable benefit and you should arrange a PAYE Settlement Agreement with HM Revenue and Customs. Broadly speaking, this means that you pay the tax and National Insurance on behalf of your employees. Your accountant can set this up for you and it should be done before you make the relevant expenditure.

- PAYE Settlement Agreement.

points are:

- Tax and National Insurance are not due on the cost of a party for employees if the annual cost is less than £150 per employee including VAT and transport and accommodation. This is the annual cost of all entertaining so if you had a staff barbecue in the summer you must take this into account as well.
- If the employees bring along their partners to a party as long as the cost per head of the party is less than £150, there is no taxable benefit (remember the £150 is each tax year)
- If the annual cost exceeds £150 then the whole cost must be included within a PAYE Settlement Agreement, not just the excess over £150.

Colleagues and patients

There is no tax relief on gifts to colleagues or patients. There are two exceptions. These are:

1. Free samples of the trader's own products distributed with the object of advertising to the public generally, and
2. 'Small' gifts (but not food, drink, tobacco or a voucher or token exchangeable for goods)

which incorporate a conspicuous advertisement for the donor. 'Small' means the cost to the donor does not exceed £50 in total for all gifts to the same person in the same year, for example, pens with your business name on them.

If you entertain business colleagues or patients the expense is disallowed for tax purposes.

If a patient wishes to give a member of staff a gift then there will be no tax implication if the gift or its value is less than £250. Amounts above this level would be taxable in full. Personal gifts which are not connected to the recipient's employment do not attract income tax.

There are deadlines and the calculations can be complex so speak to your adviser now if you think you may be caught by the various limits. ■

Bob McTear can be contacted on 01323 730631. To speak to a member of the National Association of Specialist Dental Accountants in your area, call 0870 6010 230 or go to the website www.nasda.org.uk

Little patients



Visiting the dentist for the first time can be a daunting experience, but knowing what to expect can make the experience fun and exciting.

A new photographic children's book called *Fred Bear and friends at the dentist* by Melanie Joyce follows Fred Bear and Jess as they go to the dentist. Engaging photographic imagery helps to

visually prepare young children for this new environment and the simple, positive storybook narrative takes the reader

through this new experience step-by-step.

SPECIAL OFFER

Readers of *The Dentist* may buy copies of the book for the waiting room or to give child patients for £2.50 (half the recommended retail price of £4.99) and free postage and packing when 10 or more books are ordered. Individual copies of the book cost of £4.99 plus £1.50 P&P. For more information contact Natalie Brett, ticktock Media Ltd, Unit 2, Orchard Business Centre, North Farm Road, Tunbridge Wells, Kent. TN2 3XF Tel: 01892 509400 or email natalie_brett@ticktock.co.uk ■