

Seasonal allowances to toast your team

Specialist medical accountant Phil Harnby explains the tax rules for treating your team to a night out



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Christmas is coming and high streets across the land are well and truly covered in tinsel. A key part of the traditional festive celebrations is, of course, the annual practice Christmas party or outing. Doubtless there has been much debate among primary care teams about what everyone wants to do this year.

For the GP partners and practice managers who have the responsibility of budgeting for these events, a little more thought is required than simply donning a party hat. If you want to take advantage of the tax allowances available for paying for your practice night out, and avoid ending up with an unexpected extra bill from HMRC for the pleasure of doing so, then a little bit of planning will go a long way.

Annual entertainment allowance

Primary care practices are like any other business, in as much as they get an annual allowance of £150 per member of staff that can be used against entertainment.

This can be allocated as you see fit to cover expenses such as food, drinks, entertainment, venue hire and transport costs. This and comes with a tax relief allowance of 42% for higher rate payers.

It is an annual allowance, so can be put against more than one event in a given year. However, it does not apply to staff's spouses or partners, so if you do choose to let your employees invite a 'plus one' to your Christmas party, the cost of doing so has to be covered from the same £150 allowance for the employee. Any spending above this figure will incur a standard tax charge.

Gifts: approach with caution

It's much less common than it used to be for employers to give out gifts to their staff. Unless you are planning to give them something

relatively 'insignificant' (as the tax man would term it), such as a bottle of wine or box of chocolates, we would suggest the related tax implications make it unwise to do so.

HMRC rules state that vouchers, for example, will be subject to tax and National Insurance costs which will fall on the employer, thus raising the cost of each gift that is given.

There is a balance to be struck between the cost of a Christmas party and the positive impact that it will have on staff morale. If you think it worth covering the additional cost of going that extra mile to recognise the commitment that your team has shown over the last year, then there's no reason not to do so.

Legal liabilities

Finally, while no one wants to be Scrooge at Christmas, it's important that your staff understand what is and is not acceptable at your party. You, as their employer, have certain legal liabilities (for example, potentially being liable for any damage or injury caused by drunken guests) that the phrase 'don't worry, it's Christmas' simply will not cover.

Being clear on where the boundaries of acceptable behaviour lie ahead of the big day will prevent any confusion afterwards about what may or may not have occurred. Avoiding conversations about performance, promotion or pay that could lead to queries the following day is also a sensible strategy.

If any problems do arise, never discipline the relevant employee(s) at the party itself. Wait until you are back on a work premise and manage it in accordance with your standard employment procedures as you would at any other time.

Christmas get-togethers should be all about fun and enjoyment, and with a bit of proper planning, you should be able to join in with the festive merriment without finding it too taxing.