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Parties and functions

27355

There is an exemption which applies to an annual party or similar annual event (such as a summer barbecue) provided for employees where the **cost per head** does not exceed £150, and the party is either available to all:

- employees generally (including cleaners and security staff); or
- those working at a specific location, where the employer has more than one location. This can also be extended to different sections or departments providing the party is available to all staff at the site.

The **cost of the function** is calculated by adding together all costs, including VAT and transport, and dividing by the number of all attendees (including non-employees). If insufficient numbers attend a function, this could make it taxable rather than exempt. However, an assessable benefit would only be calculated on the proportion of the cost represented by attendees who are employees and members of their family or household ([¶27255](#)).

Where tax arises, the employer may set up a PAYE settlement agreement (PSA) ([¶41075](#)) to relieve the employee from any liability.

Memo points

1. HMRC has confirmed that the costs of **virtual parties** provided by employers to their employees will fall within this exemption, so long as the usual criteria are met with regards to the purpose and inclusivity of the event. Typical costs may include:

- food e.g. a hamper plus associated carriage;
- equipment; and
- entertainment.

2. If the employer provides **two or more annual functions**, no charge arises in respect of the events for which the costs per head do not exceed £150 in aggregate. If the aggregate cost exceeds £150 per head, then the events within the limit are exempt (choosing the best combination), and the others are taxable.

Example

A Ltd holds two annual events open to all its employees in the tax year, with the costs per head being £100 and £70 respectively. The overall cost to A Ltd of each event is the same.

As the total cost per head for both functions is £170, the exemption cannot cover both. Either event on its own could qualify, and so it is more beneficial for the first to be exempted.

For employees who attend:

- both events, they will be chargeable only on the benefit of £70 for the second event;
- only the first event, there will be no chargeable benefit because that event is exempt; and
- only the second event, they will be chargeable on the benefit of £70.