
£150 Annual Event Exemption

Tax Saving

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Companies can usually hold a staff event each year without creating a tax charge for employees or directors.

This is known as the annual event exemption. It's most commonly used for things like Christmas or summer parties, but it can apply to other staff events as well. Provided certain conditions are met, the cost of the event can normally be paid by the company without creating a benefit in kind.

In this guide we explain:

- how the annual event exemption works
- the rules that need to be followed
- some common questions we see from clients

If you'd like to read HMRC's official guidance, you can find it [here](#).

The headlines at a glance

- Limit: £150 per person per tax year
- Applies to staff events such as Christmas parties
- Must be open to all employees
- The £150 limit is per attendee and includes VAT
- If the limit is exceeded, the whole event becomes taxable

How it works

Normally, if a company provides entertainment or benefits to employees or directors, this may create either a directors' loan or a [benefit in kind](#), meaning Income Tax and National Insurance could be due.

However, HMRC allows companies to hold annual staff events costing up to £150 per person per tax year without creating a tax charge. This limit includes VAT and all associated costs of the event.

For example, costs that may be included are:

- food and drinks
- venue hire
- transport (such as taxis)
- overnight accommodation, if relevant

However, it doesn't have to be a meal or drinks, it can be any sort of event: a spa day, go-karting, golf etc. The £150 limit applies per attendee, not just per employee. Each employee can bring a guest who is family or a member of the household. For companies with only one director, this often means the exemption is

used for something simple like a meal with a partner or member of the household. In this scenario, the limit would be 2 x £150 to account for the two attendees. The exemption is based on the personal tax year (6 April to 5 April) rather than your company's accounting year.

The rules

There are a few conditions that need to be met for the exemption to apply.

1. The event must be open to all employees

The exemption applies to events that are made available to all employees.

For a single-director company this condition is still satisfied, as the director is the only employee.

2. It must be an annual event

The event must be a recurring staff function, such as:

- a Christmas party
- a summer event
- another annual staff gathering

You can hold more than one event per year, provided the total cost of the events used under this exemption does not exceed £150 per person per tax year.

3. The cost must not exceed £150 per person

The total cost of the event must be £150 or less per person, including VAT. This is a strict limit. If the cost exceeds £150 per head, the exemption does not apply to that event.

For example:

- Event 1 costs £90 per person
- Event 2 costs £70 per person

Since the combined total would exceed £150, only one of the events could normally be covered by the exemption.

4. The £150 limit includes guests

Employees can bring family members or members of their household to the event. The cost of those guests is still included when calculating the cost per attendee. For example, if a director attends with their partner, the total cost would normally be divided by two people when determining the cost per head.

VAT treatment

If your company is VAT registered, VAT may usually be reclaimed on the cost of staff entertainment. However, there is an important exception.

VAT cannot normally be reclaimed on the portion of costs that relates to non-employee guests, such as partners or members of the household.

In practice, this means VAT recovery may need to be restricted proportionally where guests attend the event.

FAQs:

What counts as an annual event?

The exemption is most commonly used for Christmas parties, but it can apply to other staff events as well.

Examples might include:

- a Christmas meal
- a summer event or BBQ
- another annual staff gathering

For many one-person companies, this simply means taking a partner or member of the household out for a meal and having the company cover the cost within the £150 limit.

Can the company hold more than one event?

Yes. You can hold multiple staff events in a year, as long as the combined cost of the events covered by the exemption does not exceed £150 per person per tax year.

How can I record this in Mighty?

To make things easy, there's a category for Annual Event Exemption in the bookkeeping and expense claim sections of Mighty, so simply choose this as the category for any expenditure that meets this definition.

If you're unsure whether something qualifies for the exemption, feel free to ask your dedicated accountant or contact us at support@mightyaccounting.com.

Related guides

- [Claiming Travel & Subsistence Expenses: What You Can and Can't Expense](#)

Read this guide online (always the latest version): <https://app.mightyaccounting.com/Knowledge/article/annual-event-exemption>