

Business Gifts

There is a general rule that no tax relief is given on the cost of giving business gifts, as by default, they are treated as entertaining. There are, however, exceptions to this.

A Company or Sole Trader for that matter can give away an item in its business in order to advertise to the public generally this could include a free sample or an item that incorporates an advertisement, provided

- The cost of the individual item is less than £50
- The item is not part of a series of gifts to the same person which come to more than £50 in that accounting period.

It is important to note that no relief is permitted for this type of item if the gift is food, drink, tobacco or an exchangeable voucher.

VAT treatment for Gifts

- Where a business give gifts with a value in excess of £50 or makes a series of gifts to one person exceeding £50 it should account for output VAT on the value of the gifts.
- Output VAT does not need to be accounted for where a gift is a free sample of the business's product.

Employee Gifts



A gift made by an employer to an employee is deductible in the employer's accounts, unless gifts are also provided for others and the gifts provided to the employees are incidental to those.

- VAT is reclaimable on the cost of an employee's gift.

Business Gifts to Charities

A business gift is allowable when made to:

- A charity
- The Historic Buildings and Monuments Commission for England
- The Trustees of the National Heritage Memorial Fund.

Where a gift is made from trading stock, there is no requirement to bring in a receipt for the value of the gift.

Cash Donations to Charity

A cash donation is not a business gift, and so without special rules a gift of cash to a charity will not be tax deductible under first principles - not "wholly or exclusively" made for the purposes of the business.

An individual who is a UK taxpayer may make a Gift Aid declaration and then the recipient will obtain tax relief by way of a refund (providing that it has registered with HMRC for Gift Aid).

A company will obtain tax relief on a cash donation as a deduction from profits and there are similar conditions which apply as for Gift Aid.

Subscriptions

Subscriptions paid to trade associations etc are not generally regarded as gifts; they are tax deductible according to the business purpose test.

