



30 Monck Street
London
SW1P 2AP

T: 020 7340 0551
E: info@att.org.uk
W: www.att.org.uk

EXTENDING TAX RELIEF FOR ANNUAL PARTIES AND OTHER SOCIAL FUNCTIONS

Representation by Association of Taxation Technicians in respect of the Autumn Budget 2025

1 Introduction

- 1.1 The Association of Taxation Technicians (ATT) considers that the exemption for annual parties and other social functions in s264 ITEPA 2003 should be reviewed in order to take account of the increase in the cost of providing these events. Since 6 April 2003, the exemption has been £150 per head (including VAT), and employers frequently find this is insufficient to cover the cost of (say) a Christmas party for staff, especially in London and other more expensive parts of the country.
- 1.2 The primary charitable objective of the ATT is to promote education and the study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations. This submission is written with that background.

2 Our recommendation

- 2.1 We recommend that the monetary limit for annual parties and other social functions should be set at a level that allows employers to provide recognition to all employees generally without incurring a tax liability.
- 2.2 We believe that the exemption should be increased to at least £200 (including VAT), to take account of the increase in cost of annual staff functions for employers. The existing exemption has remained in place for over 22 years and the effects of inflation during that time have reduced the overall usefulness of the exemption. Based on the Bank of England inflation calculator¹, this would now be at least £277 if it had been updated in line with inflation.
- 2.3 To avoid the exemption being eroded in future, we feel that it is important for the value of the exemption to be reviewed regularly, with the intention of it being increased at least every five years.

¹ <https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator>

3 Background to our recommendation

- 3.1 The exemption in s264 ITEPA 2003 increased from £75 (including VAT) per head to £150 (including VAT) per head on 6 April 2003 for events open to all employees generally. Whilst this would have been generally accepted to be more than adequate to cover most annual events provided by employers in 2003, the cost of providing functions has increased significantly since then.
- 3.2 The nature of the exemption is such that for a function or two or more functions to be exempt, the total cost per head must not exceed £150 per head (including VAT). If an event is not covered by the exemption, the total cost is taxable, not just the excess above the exempt amount. Where costs are not covered by the exemption, the employee will need to pay tax on the full amount unless the employer enters into a PAYE Settlement Agreement with HMRC.
- 3.3 Where a particular event is not open to all employees generally, it is possible it may be covered by the trivial benefit rules in s323A ITEPA 2003 provided all of the following conditions are met:
- Condition A: the benefit is not cash, or a cash voucher.
 - Condition B: the cost of the benefit does not exceed £50.
 - Condition C: the benefit is not provided under salary sacrifice arrangements or any contractual obligation.
 - Condition D: the benefit is not provided in recognition of particular services performed by the employee, or in anticipation of them.

Where a benefit is provided to a director of a close company (or a member of their family / household), a further 'Condition E' must also be met. This states that total trivial benefits provided to that person or a member of their household in a tax year cannot exceed £300.

The low, £50 limit set by Condition B means that few (if any) events are likely to qualify as a trivial benefit. We have separately submitted a representation suggesting this limit is revised and uprated.

- 3.4 The tax rules for annual functions do not change the tax treatment of 'one off' functions such as celebrating a business anniversary or more extravagant events, where there would be a general expectation to incur a tax liability. If an employer wishes to provide such events, it is a fairly regular occurrence for them to enter into a PAYE Settlement Agreement with HMRC in order to settle the Income Tax and National Insurance liabilities on behalf of the employees attending.
- 3.5 However, by not extending the exemption in s264 ITEPA 2003, this will mean that more annual functions will be taxable over time. This will result in additional compliance and tax costs for employers, or it could encourage them to reduce or scale down the functions provided. If fewer functions were being held, this could have wider economic benefits and a reduction in activity for the hospitality sector.

4 Contact details

- 4.1 We would be pleased to join in any discussion relating to this representation. Should you wish to discuss any aspect of this representation, please contact our relevant Technical Officer, Chris Campbell on atttechnical@att.org.uk.

The Association of Taxation Technicians**14 October 2025****5 Note**

- 5.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government, and academia.

The Association has more than 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.