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Staff parties

The finance ministry has issued a decree on the taxation of the benefit in kind from staff parties and similar functions in 2015.

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For 2015, the Income Tax Act provisions on the benefit in kind for employees attending staff parties, outings and similar functions were revised. Essentially, the changes recast the previous tax-free limit into a tax-free allowance whilst now taking up all direct costs incurred into the calculation. In more detail:

A staff function in this context presupposes that attendance is open to all employees of the company. However, separate functions may be held for separate units of the organisation (e.g. departments) and for pensioners. Employees from associated companies may also take part, again provided participation is open to all.

The costs of the function now include all direct costs incurred, but no overhead allocations. Thus, the cost of hiring a room or for music is part of the cost of the function, whereas the costs of the wages department – or the heat light and power consumed in a function held on the company premises – are not. The exception is the travelling costs of outside employees to reach the function (e.g. two branches holding a joint function). These are deductible by the employer and exempt for the employee as normal business travel.

The cost per head is established by participant, but participants are then allocated to participating employees. Thus, if a function costs €10,000 and is attended by 75 employees and 25 spouses, the participant cost is €100 per head. Unaccompanied employees have no taxable benefit, as this amount is less than the €110 tax-free allowance. By contrast, each of the accompanied employees taxes a benefit of €90 – €200 cost less €100 allowance.

Two staff functions are privileged each year. The employer may tax the benefit in kind at a flat rate of 25%.

The changes have no direct effect on VAT. Thus the old rule continues: if the cost per employee is no more than €110, it will be deemed as having been incurred in the interests of the employer. If it exceeds that amount, the entire cost will be treated as having been incurred for the private benefit of the employees and no input tax will be deductible.

Keywords

benefit in kind, staff parties