

TAX EXEMPTION FOR TRIVIAL BENEFITS



Whitepaper

Generally, if you are an employer and you provide benefits to your employees, these are subject to tax and National Insurance as employment income.

However, on 6 April 2016 HMRC introduced a new exemption for "trivial benefits". This means that the majority of small gifts to employees and entertainment provided to employees should now be free of tax and National Insurance.

WHAT IS A TRIVIAL BENEFIT?

A trivial benefit is something which:

- costs less than £50 to provide (including VAT);
- isn't cash or a cash voucher (but non-cash gift vouchers do qualify);
- isn't a reward for particular services or performance; and
- isn't set out in the employee's contract.

For example, the cost of a small birthday gift or a team lunch would be considered a trivial benefit if the cost is less than **£50** per employee.

If the cost of the benefit exceeds **£50**, the whole of the benefit becomes taxable (not just the excess).

WHAT DOES THIS MEAN FOR MY BUSINESS?

Prior to 6 April 2016, staff entertainment and gifts would either have been taxable on the employees (by reporting the benefit on their P11D forms) or, more commonly, would have been included by the employer on a Pay As You Earn Settlement Agreement ("PSA"). A PSA allows the employer to pay the tax and National Insurance due on the benefits on the employees' behalf –

because no-one wants to pay tax on their birthday present!

Trivial benefits do not need to be included on P11Ds or PSAs. This should simplify the PSA reporting process for many businesses and for some employers will remove the need to enter into a PSA at all.



ARE THERE ANY LIMITS ON THESE BENEFITS?

If the employer is a "close company" (controlled by 5 or fewer shareholders or by shareholders who are all directors) then trivial benefits provided to the directors or their families are capped at **£300** per individual per tax year.



Otherwise, there is no limit on the amount of trivial benefits that can be provided to an employee as long as each one costs less than **£50**.

If you're interested in finding out more about the exemption for trivial benefits or have any questions about employee benefits in general, give Rachel Elvin a call on **01483 802895** or email her on rachel.elvin@chadsan.com

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