

Trivial Benefits

Trivial benefits are an opportunity for employers to treat employees to small tax-free 'payments'.

The benefit has to fit the following criteria in order to qualify as tax-free:

- they cost £50 or less to provide,
- the payments are not made in cash or by the use of cash vouchers,
- the benefits are not made as a reward for work or performance,
- the provision of the benefits is not required in the terms of contracts of employment (including a salary sacrifice arrangement).

By keeping to the criteria the employer does not have to pay National Insurance or advise HMRC on the payments. They also don't need to be reported on the employees annual P11D or P11D(b) forms. If the trivial benefit does not meet all the criteria then tax must be paid on the whole amount, not just the excess over £50. For further clarification visit the HMRC website.

Examples of trivial benefits include a Christmas hamper, a birthday meal out, box of chocolates, bottle of wine, a bunch of flowers to celebrate the birth of a baby and store gift cards – basically the benefit must not be work or performance related. Trivial benefits are also in addition to the annual staff entertaining allowance of up to £150 per employee per annum and so can be used to help increase staff morale. The employer will also be entitled to claim income tax or corporation tax relief on the cost.

Directors of a 'close' company (i.e. run by 5 or fewer participators or a limited company where all the participators are directors) can also receive this benefit - but in their case, these payments would be limited to a maximum £300 in a tax year. This restriction also applies to members of the director's family and household. If the company is not 'close' then there is no limit on the total value of trivial benefits that can be provided per year, as long as each benefit costs no more than the £50 threshold and the other qualifying criteria is met.

As we approach the festive season the following example may shed some light on how this scheme would work in practice using the average cost method:

An employer provides each of its 100 employees with a turkey at Christmas and the total bill comes to £4,500. There are a variety of sizes. Because the employer has made a bulk order, the turkeys have not been priced up individually but would cost in the region of £40 to £60

each. Employees are able to choose which bird they have. Rather than undertake a detailed analysis of the individual benefits, HMRC advise that you should accept that the cost per head is £45, reflecting an average amount of £4,500/100. The benefit can be covered by the exemption since the cost for each employee does not exceed the trivial benefit financial limit.

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