

Trivial Benefits

Covid-19 and its numerous variants are causing havoc again with the usual work-related Christmas festivities that many of us look forward to, such as the Office Christmas Party. However, it is still possible to make small tax-free payments to employees, including directors, and this might be an appropriate time to add a little good cheer by giving a small tax-free bonus in advance of the annual Christmas and New Year holidays.

Employers and employees don't have to pay tax on small benefits provided they comply with the following rules:

- they cost £50 or less to provide,
- the payments are not made in cash or 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).

HMRC describes these payments as a 'trivial benefit'. Examples of trivial benefits include a Christmas hamper, box of chocolates, bottle of wine, a bunch of flowers and store gift cards – basically the benefit must not be work or performance related.

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. Secondly, if you provide a benefit to a group of employees and if it is impractical to work out the exact cost per head, then it is acceptable to average the cost per employee.



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.

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.

Published in the Wigan Observer 14th December 2021.