



BUSINESS & PERSONAL TAX SUPPORT

Tax-free perks

Not so trivial tax-exempt benefits 2024/25

Providing non-cash benefit to your employees can promote a feeling of goodwill, particularly where they can be provided without triggering a tax or National Insurance liability. The trivial benefits exemption is a handy exemption if you want to provide low-cost benefits to your employees. However, there are traps that you need to avoid.

Don't be misled by the word "trivial".

Employees can benefit from multiple gifts of up to £50 each – subject to the conditions outlined below – with no annual limit.

Directors and other office holders are subject to an annual cap of £300.

Nature of the exemption

The trivial benefits exemption allows employers to provide benefits to employees without the employee suffering a tax charge on the benefit. Likewise, there is no Class 1A National Insurance for you, the employer, to pay.

To count as 'trivial' for the purposes of the exemption, the benefit must meet all of the following conditions:

- the cost of providing the benefit is £50 or less;
- the benefit is not cash or a cash voucher;
- your employee is not contractually entitled to the benefit; and
- the benefit is not provided in recognition of particular services.

Unless your company is a close company (generally a small company) and trivial benefits are provided to a director or other office holder, there is no limit on the number of trivial benefits that you can give to a particular employee in the tax year.

However, the cumulative provision of trivial benefits to directors or other office holders of close (small) companies is capped at £300 for each tax year.

If you provide the benefit to a number of your employees and it is impracticable to work out the actual cost of each individual benefit provided to each individual employee, you can work out the

average cost instead. As long as this does not exceed £50 the cost condition will be met.

Trap1: Contractual entitlement

If your employees are contractually entitled to receive a benefit, or you have an agreement with them that you will provide them with the benefit, the trivial benefits exemption does not apply, even if the benefit costs less than £50. Problems can arise if you have an established practice of providing a particular benefit to employees such that the employee has a reasonable expectation that they will receive the benefit. However, HMRC have confirmed that they will accept that small Christmas and birthday gifts can be provided within the scope of the exemption. When using the exemption for other benefits, it is advisable that these are made on an ad hoc basis.

Trap 2: Salary sacrifice

The exemption will not apply if you use a salary sacrifice arrangement to provide trivial benefits to your employees – the existence of the arrangement will create a contractual entitlement to the benefit, and this will take it outside the scope of the exemption.

Trap 3: Reward for services

The trivial benefits exemption does not apply if you provide benefits to your employees as a reward for services. An example of this may be giving a store voucher to an employee for hitting a sales target, providing a taxi home where an employee works late (outside the separate exemption for taxis home for employees working beyond 9pm) or providing lunch to employees for working through their lunch break.

Trap 4: Season ticket trap

To count as a trivial benefit, the cost of the benefit must not exceed £50. However, problems can arise with benefits such as a season ticket. If an employee is given a season ticket costing £300

allowing the employee to attend 12 theatre performances in a year, the cost of the benefit is £300, despite the fact that each individual performance only costs £25. As a result, the benefit is not trivial, and the exemption does not apply. However, if an employee is given access to the season ticket on certain occasions and the cost does not exceed £50. This would be treated as a trivial benefit.

Trap 5: Top-up gifts cards

You may also fall foul of the £50 limit if you use a top-up gift card to provide an employee with a gift on their birthday and at Christmas. For example, if you give an employee a store card with £40 credit for Christmas and add a further £30 top-up on the employee's birthday. The cost of the benefit is the annual cost of £70 and consequently, the exemption does not apply. To avoid falling foul of this trap, give the employee a separate non-cash voucher for each event.

Tips

Despite the traps, the trivial benefits exemption remains a useful benefit. You can use it to provide free tea and coffee to employees, and also to give employees Christmas and birthday gifts. It can also be used for gifts to an employee who gets married, is unwell or has a baby.

If a benefit is caught by one of the above traps, you can use a PAYE Settlement Agreement to meet the tax liability on the employee's behalf so that they do not receive a tax bill as well as a benefit.

We can help

Correct use of the trivial benefits concession does provide you with a useful means to incentivise staff, and even though the individual gifts are small, repeated use during the tax year will add up to a sizeable tax-free benefit.

If you are unsure how to take advantage of this concession, please call so we can consider your options.

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