

TRIVIAL BENEFITS



Employers can provide their employees with trivial benefits without either they or their employees incurring any tax or National Insurance charges.

The following conditions must be met for a benefit to meet the definition of a 'trivial benefit':

Conditions

1. The benefit must cost £50 or less.

When considering the "cost" of a benefit, we generally need to look at the cost to the employer of providing the benefit to the employee. This is not always the same as the market value of the benefit or the value in the hands of the employee. The cost will be the VAT inclusive amount.

Sometimes it may be impractical for the employer to calculate the precise cost of providing benefits where a group of employees is involved. In such situations, HMRC allows for the employer to calculate the average cost per person. For example, if the employer treats all 10 of their employees to a meal and the total cost is £480, it may be reasonable for the employer to calculate the average cost of the benefits to determine whether they qualify for the exemption. In this case, the individual cost would be £48 (£480 divided by 10) and the condition will be met for each of the 10 employees.

2. The benefit must not be cash or a cash voucher.

The employer may provide the employees with non-cash gift vouchers which can be covered by the trivial benefits exemption. This may be suitable in situations where the employer wishes to provide each employee with a certain trivial benefit (e.g. a bottle of wine) but the nature of the benefit offered may not be suitable for some employees. In such cases, a gift voucher may be a thoughtful alternative and, as long as it is a non-cash voucher, the condition will be met.

3. The benefit must not be in recognition for an employee's work or performance.

This condition will mean, for example, that if an employee works overtime one evening and the employer provides them with a taxi for the journey home, the benefit will not qualify for the exemption. This condition will also mean that long service awards will not qualify.

4. The provision of the benefit is not a contractual obligation.

This condition should be met as long as the benefit is not provided under a clause in the employee's employment contract or some other agreement.

Where benefits are provided on a regular basis, consideration will need to be given as to whether there is a "legitimate expectation" that the benefit will be received, which could mean that the provision of the benefit is regarded as a contractual obligation.

Directors of close companies

The total value of trivial benefits that can be provided without tax implications to a director, or other office holder, of a close company (typically a company controlled by five or fewer participators) is capped at £300 per tax year. This is known as the annual exempt amount.

For the purposes of determining whether a benefit would cause the annual exempt amount to be exceeded in a tax year, any trivial benefits made to a member of the director's family or household must be considered (although if that person is an employee in their own right, they will have their own annual exempt amount of £300).

Applying the trivial benefits rules can be surprisingly complex at times. We can analyse how these rules apply in your circumstances and assist you to make the most of this useful exemption.

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