



# FAQ

## Tell me more about Trivial Benefits

There are various tax and national insurance exemptions that target specific types of benefits for employees and Directors. Everything else, however small and in the absence of a more general exemption, would need to be dealt with as a benefit in kind on form P11D. This would be an administrative nightmare for employers so there is an overall exemption for small or 'trivial' benefits too.

### What are the rules?

Since April 2016 trivial has been defined as not more than £50. To take an example, if Linda received some flowers from her employer costing £45 on her birthday, this would be below £50 and therefore would not result in a benefit in kind tax charge on Linda.

The exemption could be open to abuse so there are a few conditions to comply with:

**The benefit is not cash or something that can be exchanged for cash**

The trivial benefits exemption won't cover paying an employee £50 cash. You also need to be careful as some vouchers can be exchanged for cash so if you decide to give an employee vouchers and benefit from the exemption, make sure the voucher is only exchangeable for goods or a service, not cash

### The cost of providing the benefit does not exceed £50

The cost has to be incurred by the employer, not merely reimbursing an employee's own cost.

This is the cost per individual employee on each occasion and must be measured including VAT, even if you can get the VAT back. If it is impractical to measure precisely how much relates to each employee and several employees receive similar benefits (e.g. a meal where everyone orders different food and drink), you can average the cost to check whether the limit has been met. HMRC give some examples [here](#).

### The trivial benefit cannot be contractually due or in exchange for salary sacrifice, nor in recognition of particular services now or in the future

The trivial benefits exemption is not meant to cover pay that you would otherwise have to make, it is not a tax free way to pay part of an employee's salary. There should be no legitimate expectation by the employee or any documentary commitment for paying these benefits e.g staff handbook, side letter or employment contract otherwise the exemption would not apply.

The trivial benefits should not be provided in recognition of any particular services. For example, providing food as a thank you to an employee working through their lunch or rewarding hitting a particular target would not be within the exemption.

### Most Directors and other officers have an annual limit too

Directors are subject to the normal £50 cap for each benefit but where the employer is a close company (most owner managed companies are), Officers (including Directors) have an additional overall cap of £300 each 5 April year.

If benefits are provided to a member of a Director's household (who isn't an employee or director themselves) those benefits are included in that Director's £300 annual limit.



As we get to know your business and are able to offer proactive help and advice we may also introduce you to some of our business specialists that can offer services as diverse as payroll, recruitment, corporate finance and marketing. You get the expertise and skills your business needs with the reassurance of the Forrester Boyd name and reputation.

## Be careful of continuous or associated benefits

There can be issues where exempt benefits can be taken together by HMRC e.g:



- You agree to pay for an employee's Sky subscription at a cost of £50 per month. Whilst the cost each month is within the £50 limit, HMRC would group the total cost together and it would not be within the exemption.
- A gift card is given to an employee with £10 on the card, but then the employer tops up the same card with another £10 on 7 separate occasions. Again, HMRC would see this as a £80 benefit that would breach the exemption.
- You provide access to app-based services e.g. Uber to your employees. The individual may take taxi journeys that are individually less than £50, but HMRC would see being provided with access to the app as the benefit not the individual journeys so the cost would be aggregated and potentially the £50 limit breached.

The key thing is that each and every benefit should be provided completely separately and if you have any queries regarding this, please let us know.

## In Summary

The trivial benefits exemption can be very helpful to employers. Providing the other conditions above are complied with, there is little to stop a director's company buying a £50 non-cash voucher one day and handing it to the director and doing the same on 5 further occasions in a tax year, using the £300 limit (providing the other conditions were met). Having said that, the trivial benefits exemption should be seen as a way to 'mop up' small items that are unexpected, infrequent and irregular and aren't covered by any other exemptions, rather than granting the ability for employees to benefit from lots of small benefits and saving tax and national insurance on their pay.

If you keep the overriding intention of the trivial benefit exemption in mind, in conjunction the overview of the rules above and querying anything with us you are not sure of, the exemption should be available on the occasions you expect it to be.

It is likely that HMRC would look at an employers Trivial Benefits arrangements as part of any PAYE/NI enquiry so do make sure you keep evidence of how the rules have been met, should HMRC ever ask.



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