

## *Tis the season to be Merry*



### **Trivial Gifts**

Form 6 April 2016 onwards

Following a relaxation of the rules, it may now be possible to give your staff gifts, known as Trivial Gifts, and for these to be given tax free.

In general, for a benefit to qualify for the trivial benefits exemption, all of the following tests must be met:

1. The cost of the benefit cannot exceed £50 (or the average cost per employee if the benefit is provided to a group of employees and it is impractical to work out the exact cost per person)
2. The benefit cannot be cash or a cash-voucher.
3. The employee cannot be contractually entitled to the benefit (including via a salary sacrifice arrangement)
4. The benefit is not provided in recognition of services performed by the employee
5. To avoid smaller companies taking advantage of this, any benefits provided to directors or other office holders (or their families) of close companies have the exemption capped at a total cost of £300 per tax year.
6. There is no limit, other than for Directors and office holders of the number of Trivial Gifts.

If any of these conditions are not satisfied, the benefit is taxed in the normal way under PAYE, subject to any other exemption (such as the annual staff function exemption).

Importantly, if the cost exceeds the £50 limit, the whole of the benefit is taxed, not just the excess.

Vouchers (non cash) are now allowed. So employers who might prefer to give store vouchers to their staff at Christmas can now do this and benefit from the exemption.

The benefit (gift) being provided must not be a reward for services performed (e.g. a well done meal for a top performing team or employee), provided this is the case, the £50 per head exemption can apply.

HMRC's own guidance gives the example of five employees being taken out for a meal to celebrate a number of birthdays at a total cost of £240. As the average cost is below the £50 limit, the benefit of the meal is covered by the exemption.

Employers have always been able to rely on the annual staff function to exempt Christmas parties and maybe other annual events (provided the combined cost of any such functions remains below £150 per head, plus guest). But now other staff entertaining that does not qualify for annual function exemption might be given trivial benefits treatment if the cost per head is below the £50 limit.

Note Trivial Gifts can be made throughout the year, not just at Christmas.

If you have any queries, please contact [kay@cubepartners.com](mailto:kay@cubepartners.com) or [jon.agness@cubepartners.com](mailto:jon.agness@cubepartners.com)