

Trivial Benefits

Conscientious employers care about their staff and like to acknowledge significant events in their lives. It's quite likely that gifts are given, without applying much thought to the tax implications they bring, thereby exposing a company to an investigation by HMRC.

As part of the push to simplify the tax system, reduce the reporting burden for employers and encourage employers to report all taxable benefits, a new trivial benefit in kind was introduced by HMRC in 2016.

'Trivial Benefits' in kind are exempt from reporting and completely tax and NIC free if all the conditions are met. A trivial benefit could be a small celebratory gift, such as chocolate, flowers or wine; a meal out costing less than £50 per employee or even a shopping gift voucher (not cash voucher). The benefit is not cash or a cash voucher.

Trivial benefits can be given to all existing employees and former employees as well as their families and household members. There is no limit to the number of trivial benefits an employee can receive, as long as they meet all the qualifying criteria.

They can also be given to company directors. However, if the company has five or less shareholders, directors cannot receive over £300 worth of trivial benefits in a tax year. The employee is not entitled to the benefit as part of any contractual obligation, such as a salary sacrifice or optional remuneration arrangement.

If a benefit value exceeds £50, then the full amount will be taxable and subject to class 1 NIC. It will need to be reported on form P11D in the normal way.

Proper records must be kept as HM Revenue & Customs may request this information as part of their PAYE checks. HMRC Employment Income Manual provides guidance on the trivial benefit rules at [EIM21865](#) onwards. HMRC's Employer Bulletins also provide guidance on its interpretation of the rules.

A gift will qualify as a trivial benefit if:

- It costs the employer £50 (including VAT) or less
- It isn't cash or a cash voucher. It isn't a reward for the employee's work performance
- It isn't in the terms of their contract
- It isn't part of a salary sacrifice arrangement

VAT

The current VAT registration threshold from 1 April 2017 is £85,000, subject to review and changes by HMRC. If you believe your taxable supplies will be in excess of this, you will need to register for VAT. You may also want to consider voluntary registration if you are making zero-rated supplies or if most or all your customers are VAT registered, that way you can reclaim any input tax you have suffered. We have a dedicated VAT team who can help you from reviewing a VAT return and preparing your VAT returns to complex VAT issues.

PAYE

We would encourage you to set up a PAYE scheme and pay yourself a small salary. Should you want to do this or you have other employees you need to pay, you will need to submit Real Time Information (RTI) to HMRC when you pay someone and at other times in the year. We have a specialist BACS approved payroll bureau who will be able to do all of the processing and send you the reports with payslips, P45's and PAYE advice schedules. We can also assist with Auto Enrolment.

HMRC

Should you need any assistance with setting up any of the above services, we can prepare the relevant forms and submit them to HMRC. We can also help with any ad-hoc issues you may have.

Other Services

As a company director, you may have other internal issues you need to deal with, for instance human resources and health and safety. We have two dedicated teams who can assist you with a wide range of services including preparing employment contracts to carrying out a health check of your business. Freeing up your time will help you concentrate on winning new business for the company.

For more information, contact the tax team at [01793818300](tel:01793818300) or p11d@monahans.co.uk