

Tax exemption for trivial benefits in kind

Section 323A ITEPA 2003 sets out a statutory exemption for trivial benefits. Under this exemption, if an employer provides a benefit to its employees, the benefit is exempt from tax as employment income if all the following conditions are satisfied:

- ❑ the cost of providing the benefit does not exceed £50 (or the average cost per employee if a benefit is provided to a group of employees and it is impracticable to work out the exact cost per person). If the cost of providing the benefit exceeds £50, the full amount is taxable, not just the excess over £50.
- ❑ the benefit is not cash or a cash voucher. Benefits provided in the form of a non-cash voucher, such as a shop gift voucher, can be covered by the exemption.
- ❑ the employee is not entitled to the benefit as part of any contractual obligation (including under salary sacrifice arrangements)
- ❑ the benefit is not provided in recognition of particular services performed by the employee as part of their employment duties or in anticipation of such services
- ❑ Where the employer is a close company and the benefit is provided to an individual who is a director or other office holder of the company (or a member of their family or household) the exemption is capped at a total cost of £300 in the tax year.

If any of these conditions is not satisfied then the benefit is taxed in the normal way, subject to any other exemptions or allowable deductions.

The exemption applies equally to benefits provided to the employee or to a member of the employee's family or household.

The exemption also applies where the trivial benefit is provided on behalf of the employer by a third party. For example, where the benefit is provided through a management services company within a group of companies or by a third party business provided the cost of the benefit is ultimately borne by the employer.

This exemption will have effect for benefits provided from 6 April 2016 onwards once the Finance Act 2016 receives Royal Assent.