



TRIVIAL BENEFITS

A guide for small businesses

What is a trivial benefit – how do they affect limited company directors?



What is a trivial benefit?

A good way to explain trivial benefits is to think of them as small one-off gifts that are given to staff.

As well as brightening your employee's day, the gifts are allowable expenses and will reduce your corporation tax bill.

Examples of trivial benefits include:

- A gift for a new baby.
- Friday pizzas and beers.
- A birthday card and a bottle of wine.



What are the rules?



There are strict rules around what can be classed as a trivial benefit:

- It must cost £50 or less.
- It can't be cash or a cash voucher.
- It can't be a reward for work or performance.
- It can't be in the terms of their contract.

The main thing to remember is the benefit can't be used to replace employees pay, or as a bonus.

There should be no expectation of the gift. Think spontaneous treats to make your team smile, who doesn't love a surprise box of chocolates?

For example, a team lunch for a birthday could be classed as a trivial benefit. However, providing a working lunch for employees or providing a team-building event would not be classed as a trivial benefit, as it is related to their employment.

It's important not to confuse trivial benefits with 'benefits in kind'. The later includes things like gym memberships and company cars, which would need to be reported to HMRC on a P11D each year.

As the rules around trivial benefits are so strict, please ask your accountant whether the expense meets the required criteria before investing your hard-earned money.

Spending limit

It's really important each trivial benefit costs £50 or less. If you spend £50.01 the whole amount will become taxable, not just the 1p overspend.

Trivial benefits should be split throughout the year, small incremental spends of no more than £50 at one time.

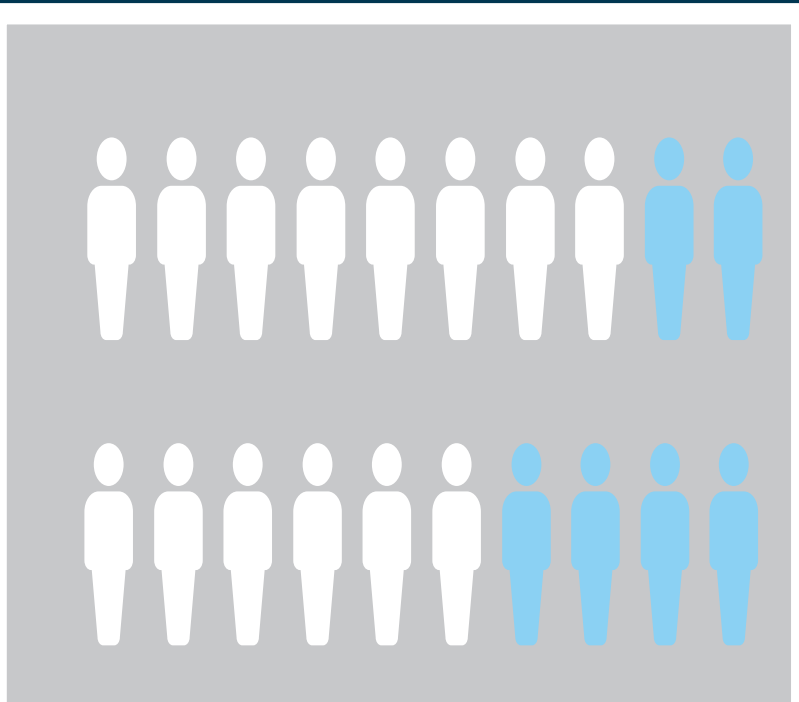
The only time this rule wouldn't apply would be a group event. For example, if you host a birthday lunch with 5 employees and the bill is £240, you'd divide the figure by the number of attendees. As it totals £48pp, you would be able to apply the benefit.

Another thing to consider is the market value of the gift you're giving. If you were to share out last season's stock between staff, but the market value was higher than £50. You wouldn't be able to include this as a trivial benefit. This is because the team could potentially sell the stock on and make a profit.

If you're a Director of a 'close' company, your spend is capped at £300 each tax year. A close company is a limited company that's run by 5 or fewer shareholders. Directors are also able to give trivial benefits to family and members of their household. This would be claimed for under your Director's annual allowance of £300.

The trivial benefits are in addition to the tax-free spend you get on an annual event like Christmas party or summer BBQ, which is another £150 per employee.

It's time to celebrate this tax-free spending, by spreading some joy and getting the pizzas ordered!



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More information is available here:

<https://www.gov.uk/government/publications/tax-exemption-for-trivial-benefits-in-kind-draft-guidance>