



Benefits in kind **Small Benefit Exemption**

Employment taxes have become more complex and burdensome in recent times, however there are some Revenue concessions available which can enable tax savings for both the employee and the employer.

Small Benefit Exemption

The Small Benefit Exemption (“SBE”) was previously a Revenue concession in respect of small gifts/awards provided to employees by employers.

The 2016 Finance Bill brought this concession into legislation and increased the benefit from €250 to €500.

Benefits for Employees:

Employee is not liable for PAYE, PRSI and USC on value of award

Benefit for Employers:

Employers are not liable for employer PRSI (10.75%) on value of award

Single Non-Cash Awards

The SBE allows an employer to provide a single non cash award (e.g. voucher/gift)

of up to €500 to an employee tax free in a tax year. The single award must not exceed €500 per annum.

€500 limit

It should be noted that where any award exceeds €500 in value the full value of that award is subject to PAYE, PRSI and USC.

Points system

To maximise the tax efficiency of the SBE and avoid subsequent awards being liable to PAYE, PRSI and USC, some companies use a ‘points’ system that employees accumulate over the course of a year and then receive one voucher up to a maximum of €500 at a particular date during that year.

Please see below some examples to further explain the SBE:

Example 1

Employer awards a voucher of €500 in February 2017 to an employee. This is the first award/gift the employee has received from the employer in 2017.

Tax Position

The employer can avail of the SBE and therefore the voucher of €500 can be provided to the employee tax free.

Example 2

Employer awards an employee a voucher worth €250 in January 2017 and makes a second award of a €200 voucher in September 2017.

Tax Position

The first award of €250 will be covered by the SBE, but the second award will be fully liable to PAYE, PRSI and the USC. The value of the second voucher should be processed through payroll in the month the award is made i.e. the September 2017 payroll.

Example 3

Employer awards an employee a voucher worth €575 in February 2017. It is the first award/gift the employee has received from the employer in 2017.

Tax Position

Where a benefit exceeds €500 in value the full value of that benefit is subject to PAYE, PRSI and the USC. The value of the voucher (€575) should be processed through the February 2017 payroll and the relevant withholding taxes applied.

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