

# Tax Free Employee Benefits



**Providing benefits to employees is a valuable retention method, but it can result in costly national insurance and tax implications.**

**This guide covers common benefits that fall under statutory exemptions, which means that they are tax free for employees in certain circumstances.**



### **Trivial benefits**

Benefits are deemed to be 'trivial' if the following conditions are met:

- Cost no more than £50 (inclusive of VAT) per award,
- Are not in the form of cash or cash vouchers (gift vouchers for shops are not cash vouchers),
- Are not provided as part of any contractual obligation or salary sacrifice arrangement,
- Are not provided as a reward for services or recognition of performance (this includes long service awards which are considered under separate rules).

Examples of trivial benefits include birthday gifts to employees, drinks after work and a takeaway being provided for the office.

There are generally no limits on the total amount of trivial benefits which can be provided to an employee annually. However, if this becomes extremely regular (such as a takeaway every Friday) the benefit may no longer be deemed 'trivial'.

A director of a 'close' company can however not exercise trivial benefits worth more than £300 in a tax year. A close company is generally a company controlled by 5 or fewer shareholders however in practice the definition is wider so if in doubt, please ask.

### **Long service awards**

Anniversary gifts to employees are exempt if the following conditions are met:

- The employee has worked at the company for at least 20 years,
- No similar award has been made to the recipient by the same employer within 10 years prior to the award being made,
- The award has not cost more than £50 per year of service,
- The award is not money or liquid assets.

## Annual parties and events

Annual parties and events, such as Christmas and summer parties, are exempt if the following criteria is met:

- The total cost of annual events in the year (inclusive of VAT) is below £150 per head,
- The event is open to all employees.

For more information on how this rule works in practice see our quick guide - [Common Areas of P11D Confusion](#)

## Eye Tests and health check-ups

Health check-ups and medical screenings are exempt on one occasion each year.

Eye tests are exempt for employees who are required to use computer screens as part of their normal duties. This does not apply where an employee is reimbursed, only when the employer pays for the benefit on their behalf.

## Life insurance policies and pensions

Are exempt.

## Mobile phones

Rules on giving mobile phones to employees are complex but generally phones are exempt if the following conditions are met:

- One mobile phone is provided to each employee,
- The phone contract is between the company and the supplier (the phone is not owned by the employee).

The exemption covers the cost of line rental and calls associated with the phone described above.

See our quick guide - [Common Areas of P11D Confusion](#)

## Staff training

Work related training is an exempt benefit when the following condition is met: The training will be useful to the employee in performing duties of employment or will better qualify them for those duties.

## Employee suggestion schemes

Rewarding employees for suggestions that benefit your business can be exempt from tax and national insurance if the following conditions are met:

- The suggestion schemes must be open to all employees,
- The suggestion must be about your business,
- It must be likely that the employee would not have suggested it as part of their normal work,
- The suggestion cannot be made at a meeting proposing new ideas.

For more information on employee suggestion schemes see [HMRC guidance](#).

## Homeworking

Equipment provided to employees for the purposes of homeworking, such as computer stands, desks and chairs are exempt if the following conditions are met:

- The equipment has been provided solely to enable the performance of the employees' duties,
- Private use of the equipment is insignificant.

Paying for employees' bills (such as broadband and household bills) is only exempt if this covers additional costs incurred since homeworking started and the employee meets the homeworking conditions.

For further guidance on homeworking see [quickguide here](#)

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**Disclaimer:** This note does not contain a full statement of the law and it does not constitute legal advice. Please contact us if you have any questions about the information set out above.

## Secondment expenses

A specific relief called 'Detached Duty Relief' applies where an employee attends (is seconded to) a temporary workplace for a period of up to 24 months. The employee can obtain relief for the cost of travel to and from that workplace, which may also include the cost of accommodation and subsistence.

If circumstances change and there is a reasonable expectation that the secondment will be for a period that exceeds 24 months, the exemption will no longer apply.

The statutory exemption does not apply to expenses or benefits that are paid for, or provided under, a salary sacrifice agreement. For further guidance on secondment expenses, see our quick guide - [Tax Efficient Secondments](#)

## Relocation costs

When an employee relocates for work, the employer can reimburse relocation costs, tax free, up to £8,000. Amounts reimbursed in excess of this are taxable.

## Transport

Loans to employees to purchase season tickets for public transport are exempt if they are below £10,000 per employee throughout the course of the tax year.

If you provide employees parking spaces at, or near, their workplace there are no reporting requirements.

Payments to employees to cover business travel (using their own car) at HMRC's approved mileage rates are tax free. Please see [HMRC's mileage rates](#)

However, this does not include the costs of employees' ordinary commute.

For further guidance on business travel see see our quick guide - '[Common Areas of P11D Confusion](#)'

## Cycle to work scheme

The benefits offered through a cycle to work salary sacrifice arrangement are exempt from tax for the employee.

The employer also does not have to pay employer NICs on the salary foregone.

For further guidance on 'cycle to work' schemes see our [quick guide here](#)