

Grab some extra tax-free perks while there's still time

The 2017/18 tax year ends on 5 April. If you want to take advantage of the trivial benefits exemption for this year, you need to do it by then. What can you spend your company's money on tax and NI free?

Trivial recap

Since April 2016 employers have been able to provide any number of small (trivial) benefits in kind to their employees without them counting as taxable perks. HMRC relies on three factors to prevent the exemption being exploited:

- the exemption doesn't apply if the benefit is given as a substitute for normal wages
- employers are cost conscious and so won't want to pay for vast numbers of perks for employees
- directors of companies probably won't worry about the second point and so might be tempted to take a considerable number of exempt perks for themselves. Therefore, the exemption is capped for directors of close companies (broadly those controlled by five or fewer individuals).

What's the cap?

The exemption for directors is limited to £300 per year, and for employees and directors to the value of £50 per perk. This means a director could take up to six tax and NI-free perks worth £50 or less.

Tip. The rules don't prevent the exemption from being used multiple times in a short space of time. This means that even though there's only a few weeks left in the tax year, there's still time for you to make use of the full £300.

A family tax-free benefit

If your spouse or partner is also a director, they are entitled to their own trivial benefits exemption which you can use in tandem. For example, while a single exemption might only cover the cost of, say, a single theatre ticket, if your spouse is also a director, the exemption could cover the other ticket, giving you both a night out on the company without triggering tax or NI.

Check the rules

Before you rush off to spend your company's money, make sure you don't fall foul of a common error. The trivial benefits exemption doesn't apply to cash payments or the equivalent.

Trap 1. If your company pays a personal bill for you, say for your home broadband, that's not a perk, it's equivalent to cash and must be taxed as if it were salary. However, if the contract for the broadband (or other goods or services) is between your company and the provider, that is a perk and the exemption can apply.

Trap 2. While the trivial exemption can be used for a single bill, if your company has contracted for a continuous service, such as a broadband contract, the whole contract is a single benefit. This means the whole contract is the perk not each monthly instalment.

Tip. If you can't find anything suitable to spend your company's money on by the end of the tax year, it could instead buy you retail vouchers of £50 each to take maximum advantage of the exemption. The benefit is treated as arising at the time your company purchases the vouchers, not when you redeem them. Don't buy six vouchers from the same place at the same time, HMRC might argue that this is a single benefit. Buy them at separate times and choose online retailers which offer a wide range of goods to buy, such as Amazon or Tesco.

The exemption applies to goods and services worth up to £50, but for directors the total value is capped at £300 per year. It doesn't apply to your personal bills which your company pays. Retail vouchers qualify which means you can make maximum use of the exemption, plus you can spend them when convenient to you.