

€1,000

SMALL BENEFIT SCHEME

TAX-FREE REWARD GUIDE

How to save tax on
employee rewards

- ➞ Key rules
- ➞ Paying bonuses
- ➞ Year round rewards

25 Frequently Asked
Questions

EXCLUSIVE!

**THE BEST
GIFT CARDS
FOR YOUR
STAFF**

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This guide is prepared by Allgo Global Rewards Limited based on extensive past experience of the Small Benefit Scheme and information available from Revenue in September 2022. Allgo is not a qualified tax advisor however, and takes no responsibility for the accuracy of the information contained in this guide. Allgo recommends that employers seek independent taxation advice before awarding incentives or rewards.

THREE STATS ABOUT THE SMALL BENEFIT SCHEME

➔ €400M TAX SAVING



If all Irish employers fully availed of the Small Benefit Scheme at the higher rate of tax, the total annual tax saving would be €1.3 billion!

Because only 60% of Irish employers use the Scheme, and on average those that do are expected to avail of about 60% of the €1,000 limit, the actual annual tax saving is in the region of €400 million.

➔ €300 AVERAGE REWARD IN 2021. 2022?



Even though the maximum that an employer can reward tax-free is now €1,000 per employee per year, many companies award less.

In fact, the average reward made by Irish companies to staff on the Scheme in 2021 was only €300 per employee. It remains to be seen what the average will be in 2022 with the increased tax-free limits.

➔ €953 AVERAGE TAX SAVING PER EMPLOYEE



With the the tax saving per employee for a €1,000 reward on the scheme ranging between €593 (lower tax rate) and €1,314 (higher tax rate), the average

potential tax-saving per employee per year is €953. See pages 8 and 9 for full tax-saving calculations by salary and by company size.



SMALL BENEFIT SCHEME **INTRO**

The “Small Benefit Exemption Scheme”, or “Small Benefit Scheme” as it is more commonly known, was announced by the Irish Government in the 2004 Budget and came into existence on 1st January 2004. The scheme allows employers to provide a tax exempt benefit to Irish employees each year.

It was introduced as part of a new Benefit-in-Kind (BIK) tax system introduced that year, which did away with PRSI relief for employers who provided luncheon vouchers to employees.

Section 112B of the Taxes Consolidation Act 1997 is the statutory instrument that underpins the Scheme.

As an employer, the Small Benefit Scheme allows you to give certain types of rewards to your employees that are NOT subject to any Benefit-In-Kind (BIK) tax liability – either for the employee or for the employer.

The original maximum threshold amount for the Scheme was €100 per employee per year, and this was increased to €250 in 2005. In 2015, the threshold was increased to €500, and in September 2022, the tax-free threshold was increased to €1,000.



SMALL BENEFIT SCHEME RULES

To provide tax-free rewards to your employees under the Scheme, you must adhere to 4 basic rules:

➔ Rule 1: Maximum €1,000

The reward cannot exceed the threshold, which is currently €1,000 per employee per year.

The employer can award a lower amount than €1,000, or different amounts to different employees, but any employee receiving more than €1,000 will not qualify for tax-relief. In fact, rewards over €1,000 are subject to BIK on the entire amount!

➔ Rule 3: No Cash

The benefit cannot be in a form that is, or that can easily be converted into, cash.

This means that it cannot be paid through payroll, or for example via a company expense card that could be used at an ATM to withdraw cash. It is most commonly provided in the form of voucher or gift card that can only be used to purchase goods or services.

➔ Rule 2: Max 2 Rewards per Year

The benefit can only be given as a maximum of two rewards in any year, up to a combined total of €1,000.

As the tax year in Ireland runs from January 1st to December 31st, this means that if an employer makes a €200 award to an employee in January, and a €500 award in July, then that employee's full Small Benefit is used up for the year.

Any additional awards will be subject to BIK.

➔ Rule 4: No Salary Sacrifice

The benefit cannot form part of a salary sacrifice arrangement, defined as "any arrangement under which an employee forgoes the right to receive any part of his or her remuneration due under his or her terms or contract of employment and in return his or her employer agrees to provide him or her with a qualifying incentive."

So essentially, the company needs to be invoiced for the total amount, and needs to pay for the rewards from the company's own funds, with no reduction in employees' pay.

⊕ SIGNIFICANT ENHANCEMENTS TO THE SCHEME

BUDGET 2023

In Budget 2023, delivered on 27th Sept 2022, the Minister for Finance, Paschal Donohoe, announced a historic increase in the Small Benefit Scheme threshold from €500 to €1,000 per employee per year.

He also announced that employers can give two tax-free rewards in a year up to the threshold instead of just one. ⊕

Both enhancements are valid from the 2022 tax year.

These changes provide Irish employers with significant scope to use the Small Benefit Scheme to help employees with cost of living, and also to engage employees with tax-free rewards more than once per year as had been the practice for the previous two decades of the Scheme.

TAX SAVINGS CALCULATIONS



As long as the Scheme rules are met, the employee is not liable for PAYE, PRSI or USC on the value of the award AND the employer is not liable for employer PRSI on the value of the reward.

The exact tax saving depends on both the amount awarded (remember, it can be up to €1,000 not necessarily €1,000), and the marginal tax rate that each employee is on.

The tables on the next few pages show tax-savings based on different salary levels and company sizes.

The calculations compare how much grossed up salary would need to be awarded through payroll in order to produce the same €1,000 net benefit to employees. The calculations are based on 2023 taxation rates, as follows-

Income Tax

- 20% PAYE up to €40,000
- 40% above that

Employee PRSI

- Under €18,304 = 0%
- Tapered PRSI credit of €12 for earnings between €352.01 and €424 per week.
- Earnings of €352.01 subject to PRSI of €2.08 after the credit.
- For earnings between €352.01 and €424, credit of €12 is reduced by one-sixth of earnings over €352.01.
- 4% above that

USC

- First €12,012 salary @ 0.5%
- Next €10,908 salary @ 2%
- Next €47,124 salary @ 4.5%
- Balance of salary @ 8%

Employer PRSI

- Under €21,320 = 8.8%
- 11.05% above that

Net Reward

- €1,000 (maximum Small Benefit reward).

TAX SAVINGS CALCULATIONS BY SALARY

GROSS SALARY	NET REWARD	GROSSED UP REWARD	EMPLOYEE PAYE / PRSI / USC	EMPLOYER PRSI	TOTAL TAX SAVING
€20,000	€1,000	€1,435	€435	€159	€593
€30,000	€1,000	€1,618	€618	€179	€797
€40,000	€1,000	€1,942	€942	€215	€1,156
€50,000	€1,000	€1,962	€962	€217	€1,178
€60,000	€1,000	€2,022	€1,022	€223	€1,246
€70,000	€1,000	€2,083	€1,083	€231	€1,314
€80,000	€1,000	€2,083	€1,083	€231	€1,314
€90,000	€1,000	€2,083	€1,083	€231	€1,314
€100,000	€1,000	€2,083	€1,083	€231	€1,314
€110,000	€1,000	€2,083	€1,083	€231	€1,314
€120,000	€1,000	€2,083	€1,083	€231	€1,314
€130,000	€1,000	€2,083	€1,083	€231	€1,314
€140,000	€1,000	€2,083	€1,083	€231	€1,314
€150,000	€1,000	€2,083	€1,083	€231	€1,314

Tax-Savings Calculations based on –

- 2023 Budget figures
- Awarding full €1,000 per employee under the Small Benefit Scheme
- Tax rate for single employee with normal allowances and tax credits

TAX SAVINGS CALCULATIONS BY COMPANY SIZE

NO. OF EMPLOYEES	EMPLOYEE TAX SAVING	EMPLOYER TAX SAVING	TOTAL TAX SAVING
1 Employee	€1,083	€231	€1,314
5 Employees	€5,415	€1,155	€6,570
10 Employees	€10,830	€2,310	€10,140
15 Employees	€16,245	€3,465	€19,710
20 Employees	€21,660	€4,620	€26,280
25 Employees	€27,075	€5,775	€32,850
50 Employees	€54,150	€11,550	€65,700
100 Employees	€108,300	€23,100	€131,400
200 Employees	€216,600	€46,200	€262,800
300 Employees	€324,900	€69,300	€394,200
400 Employees	€433,200	€92,400	€525,600
500 Employees	€541,500	€115,500	€657,000
1,000 Employees	€1,083,000	€231,000	€1,314,000
2,000 Employees	€2,166,000	€462,000	€2,628,000
5,000 Employees	€5,415,000	€1,155,000	€6,8570,000
10,000 Employees	€10,830,000	€2,310,000	€13,140,000

Tax-Savings Calculations based on –

- 2023 Budget figures
- Awarding full €1,000 per employee under the Small Benefit Scheme
- Tax rate for single employee with normal allowances and tax credits on the higher rate of income tax (ie 40%)

ALLGO MASTERCARD GIFT CARD

➔ The Ultimate Gift Card!

The Allgo Mastercard Gift Card is a universal gift card that can be used anywhere that accepts Mastercard® - instore, online, or even abroad.

The physical card can be spent instore or online. The digital card can be spent online on any ecommerce site worldwide. or with Digital+, can add the card to Google Pay and Apple Pay for spending instore as well as online.



➔ Use Anywhere



INSTORE



ONLINE



ABROAD

➔ Optional Extras

- Express Order
- Greeting Card
- Branded Greeting Card
- Branded Card Carrier
- Branded Card
- Individual Delivery to Remote Staff

➔ Order Now!

ORDER ONLINE
allgo.ie/mastercardorder

CONTACT THE ALLGO SALES TEAM
Tel 01 253 0040
Email sales@allgo.ie
Web allgo.ie

➔ Card Features

1. Use anywhere that Mastercard is accepted - instore, online, abroad.
2. Physical and Digital Formats available.
3. 100% secured by Mastercard.
4. Certified by Irish Revenue for the Small Benefit Scheme – tax-free up to €1,000.
5. Guaranteed Irish company.
6. 3D Secure online payments.
7. Online portal to check card balance and view transactions.
8. No commission charged to retailers for accepting the card.
9. Regulated by the Central Bank of Ireland.
10. Funds held securely in segregated Irish bank account.
11. Dedicated cardholder website - allgogiftcard.com.
12. 5 Year Valid Thru Date on all cards.

➔ Delivery to Remote Staff

Allgo offers 2 options for delivery of gift cards to remote staff, depending on whether clients have all the employee delivery addresses or not - just ask for details.

THE BEST GIFT CARDS FOR YOUR STAFF

The Scheme rules stipulate that the rewards provided must be in a non-cash format. After that, it is completely up to the company to decide what type of rewards to give.

The reward could be in the form of products, services, employer-provided goods or services, memberships or subscriptions. As the Scheme is most frequently used at the end of the year, seasonal gifts such as Christmas Hampers are sometimes given by companies to their staff tax-free under the Scheme.

However, by far the most popular rewards on the Scheme are **gift cards and gift vouchers**. This is because employees want as much choice as possible for spending their rewards.

Supermarket gift cards feature a lot on the Scheme because they offer spending choice to the employee and may offer volume discounts to the company. Dunnes, Tesco, Super Value and Lidl all provide gift card products, which can be used on the Scheme. Volume discounts can differ widely for each.

Multi-retailer gift cards and vouchers such as One4All, Me2You and AllGifts Vouchers, are very popular because of the choice of retailers they offer on redemption. Each of these closed-loop products offers a different range of redemption options and formats (eg physical card only or physical and digital options), so it's worth comparing the differences before purchasing.

Some towns now offer **local shopping vouchers** like the "Shop Local" Gift Vouchers in Dundalk and Ballina, and the Donegal Town Voucher Scheme. These vouchers can be purchased locally and can be spent in a selected number of local shops and business, thus directly supporting the local economy.

Open-loop **Mastercard gift cards**, like the Allgo Mastercard, are growing increasingly popular because they offer the flexibility to be spent in any shop or business that accepts Mastercard – even online and abroad. As these cards do not charge commission to the retailers where they are spent, there are no discounts available on the face value of the cards purchased.

Another consideration for many employers is how to distribute vouchers or gift cards to staff who are working remotely. Normally, gift cards are delivered in bulk to your company office for you to distribute them to employees. With hybrid working, many companies go for digital vouchers that can be emailed to employees, or select gift card suppliers that can reliably deliver their cards directly to employees' home addresses.

So to choose the right gift card, you need to consider the cost/discounts available, the flexibility offered by the gift card, AND the services (like delivery to remote workers) that the supplier can offer you.



TAX RETURNS & REVENUE

A great advantage of the Small Benefit Scheme is that it is so straightforward to administer for employers. There are no payroll adjustments required or a Revenue return to be made to avail of the Scheme.

Employers are simply invoiced by the reward provider for the total value of tax-free rewards. This invoice is treated as a normal business overhead for accounting purposes, and there is no need to adjust payroll calculations in any way.

Similarly, employees receiving rewards under the Scheme do not need to make any additional Revenue returns or even include it in any normal return.

For any subsequent Revenue tax audit in the company, it is always advisable to have a record of the employees that received tax-free rewards and the amounts they received under the Scheme.

However, this is NOT currently a requirement, and in practice, Irish companies can simply demonstrate that the invoice for the total amount of rewards purchased did not exceed €1,000 x no. of employees employed at that time.

ALLGIFTS CORPORATE VOUCHERS

AllGifts Vouchers are Ireland's best multi-retailer vouchers that are branded for your company, personalised with your message, and can be used with an unrivalled choice of Irish redemption partners.



➞ Voucher Features

- Any value from €1 - €10,000.
- Branded with your company logo.
- Personalised with your gift message.
- Beautifully presented in a choice of 3 formats.
- Recipients choose from 10,000 products, services and gift cards on AllGifts.ie.
- Rewards include shops, hotels, restaurants, spas, leisure, travel, activities & more.
- Many rewards exclusive to AllGifts – not available with other voucher systems.

➞ Voucher Formats

AllGifts Vouchers come in three formats:

1. **Voucher Sleeve** - presented in branded sleeve
2. **Gift Box Vouchers** - presented in an AllGifts gift box
3. **eVouchers** - by email or pdf download

➞ Redemption Choice

AllGifts Vouchers are used on AllGifts.ie to order products, services, retail gift cards, or to make bookings with over 1,000 of the best shops, hotels, restaurants, spas, leisure, travel & activity companies in Ireland.

➞ Order Now!

ORDER ONLINE allgo.ie/allgifts-vouchers-order

SALES TEAM 01 253 0040 / sales@allgo.ie



PAYING BONUSES TAX-FREE

€1,000 per employee is not an insignificant amount, so instead of simply giving it as an additional thank-you, many companies look to use the Small Benefit Scheme to make their annual company bonus more tax-efficient.

While this makes a lot of financial sense, there are some points to bear in mind to ensure that your bonus payments comply with the Scheme.

➞ Annual or Bi-Annual Bonus

As only two tax-free vouchers can be given in an one year (Jan-Dec), annual or bi-annual bonuses will work well.

However, quarterly bonuses for example will not.

➞ €1,000+ Bonuses

If an employee's bonus is less than €1,000, it can be paid entirely tax-free. However, if the bonus is greater than €1,000, then only €1,000 may be paid tax-free, with the remainder being paid through payroll, subject to the usual tax and social welfare deductions.

➞ Non-Cash Format

While the rewards offered to employees on the Scheme cannot be cash (or convertible to cash), it is important that the rewards you use for tax-efficient bonuses are as close to cash as possible - ie offer the maximum redemption choice for employees. Otherwise, you run the risk of pushback from employees, with the bonus being viewed negatively instead of as a tax-efficient motivator for staff.



➞ Salary Sacrifice / Guaranteed Bonuses

Salary sacrifice arrangements (ie reducing a contractual remuneration payment and replacing it with a tax-free benefit) contravenes the Small Benefit Scheme rules.

So only bonuses that are not part of contractual compensation can be included in the scheme. If a bonus is contractually guaranteed, it will form part of an employee's normal salary and therefore not qualify for the BIK relief.

➞ Opt-Out

In some cases, employees may still wish to receive any bonus through payroll even though they would receive less value after tax (eg if they wanted to show higher gross income for a mortgage application).

Therefore, many companies give employees a way of opting out, and simply getting their full bonus paid via payroll without any tax- savings. In our experience, however, 99.9% of employees elect to save the tax, and receive the first €1,000 of any company bonus through the Scheme.



YEAR-ROUND TAX-FREE REWARDS

Even though one of the key rules of the Scheme is that it only applies to a maximum of two rewards per year, it is possible to extend the Scheme throughout the year in conjunction with a qualifying points system.

In this scenario, you award points to your employees throughout the year, but only allow them to cash-in their points one, or max two, times in the year.

The points programme can either be capped at €1,000 worth of rewards, or have any excess paid through payroll, or paid out via additional rewards that the company pays the BIK on.

The advantage of course is that instead of a giving a one-off reward for retrospective performance, you can instead run an ongoing, proactive incentive & reward programme throughout the year.

This could be Sales Incentive, Performance Improvement Programme, KPI Incentive, Peer-Recognition, On-the-Spot Rewards, Employee of the Month, or Service Awards. Or you could design a programme aimed at encouraging Safety-at-Work, Employee Wellness, Business or CV Referrals.

As well as enjoying the same tax-free status, ongoing Small Benefit programmes can have the advantage of being more engaging and impactful than a single annual reward.

When considering a points-based Small Benefit Scheme, it can really be beneficial to use a professional provider with a purpose-built points platform that is certified as Small Benefit compliant. For example, Allgo's Reward Hub platform allows companies to run ongoing employee reward & recognition programmes, and is fully approved by Revenue for the Small Benefit Scheme.

ALLGO POINTS YEAR ROUND REWARDS

Award points to your employees throughout the year, and allow them to cash-in their points at the end of the year tax-free on the Small Benefit Scheme.

A/C No.	First Name	Last Name	Email	PIN	Department	Location	Grade	User Manager	Mobile Pre-fix	Mobile No.	Select
44054054	Test	Test	testtest@gmail.com	30756							<input type="checkbox"/>
43630914	Radek	Jarczyński	radolaw.jarczyński@daniesoft.com	43630	cc1	H2	u3				<input type="checkbox"/>
79068147	Stoytcho	Vlaykov	stoytcho@cashwave.io	93793	Cashwave	Managing Director			359	005000044	<input type="checkbox"/>
31482106	Andrew	Mooney	andrew@allgo.ie	31481						0051000000	<input type="checkbox"/>
50251831	Kristine	Cassidy	kristine.cassidy@npi.ie	91543	OPD	Compliance Analyst			353	0073931836	<input checked="" type="checkbox"/>
22682312	Peter	McSherry	peter.mcsherry@rentokil-indat.com	22682	Finance						<input type="checkbox"/>
29852119	Michael	O'Mahoney	michael.omahoney@rentokil.com	15156	MD					0072579399	<input type="checkbox"/>
33091143	Barry	Keargan	barry@kearganmeats.ie	47816					353	876684264	<input type="checkbox"/>
49178061	Nicola	McHally	nicola.mchally@arvato.com	81470					353	877961129	<input type="checkbox"/>
81475994	Fiona	Meehan	fiona.meehan@three.ie	49183		Employee Engagemen			353	008140643	<input type="checkbox"/>
66235248	Norma	Mulligan	norma.mulligan@stccontrols.com	33042							<input type="checkbox"/>
97571572	Simon	Hand	simon.hand@vodafone.com	65278	12345	Head of Reward & Rec	Mountain View		353	874142283	<input type="checkbox"/>
48482775	Marie Louise	Murray	marie-louise.murray@vopg.ie	33736		Test			353	063030334	<input type="checkbox"/>
29682159	Kata	Scabo	kata@allgo.ie	61954	TEST						<input type="checkbox"/>
6654604	Jarath	Doolley	jarath.doolley@version1.com	81309	123456	HR & Integration Dired	Dublin		353	879482570	<input type="checkbox"/>
80491993	AKGibbs	Test	info@allgo.ie	97967	Test Welcome Email						<input type="checkbox"/>
12319260	Simon	Le Bon	simon@allgo.ie	44811	New User	1	1				<input type="checkbox"/>
79608955	Allgo	SuperU	info@allgo.ie	94333	Allgo	Default User					<input type="checkbox"/>
61172095	Brian	Dumey	brian@vireanhuman.ie	14825							<input type="checkbox"/>
20041704	Allgo	Test	info@allgo.ie	20041	Test 1					0083894808	<input type="checkbox"/>
87581975	Brian	Dumey	bdumey@gmail.com	62166	Test 07_06_2017	Dub			353	0051477733	<input type="checkbox"/>

➔ Allgo Points Features

- Branded & Tailored Reward Points.
- Branded Reward Website with Leaderboard (optional).
- Daily, Weekly, Monthly Points Allocation by Allgo.
- Instant awarding of points by email, SMS and PDF download.
- Centralised Reward Hub portal to manage the programme.
- In-built monthly and annual budget controls.
- Comprehensive, on-demand reporting module.
- Integration options include API, CSV upload and manual input.
- In-programme promotions –eg double points, bonus points, special offers, jackpot prizes.
- World-class support.

➔ How it Works

1. Companies decide the criteria for awarding points, how often to award points (usually every month), and how much each point is worth.
2. Companies provide Allgo with a performance report each month, and Allgo calculates the number of points each employee earns and emails points to employees.
3. Employees build up their points all year, and can keep track of their points earned by logging into a branded incentive website.
4. Leaderboards and monthly branded eZines can be broadcast by Allgo to keep all employees fully engaged in the programme all year.
5. At the end of the year, employees who have earned less than €1,000 in Points will be sent an Allgo Mastercard Gift Card for the total value of points earned. This gift card will be completely tax-free under the Small Benefit Scheme.
6. Employees who have earned more than €1,000 will be sent a €1,000 gift card (tax- free) and additional gift cards up to the total value of their points balance.

➔ Get a Demo Now!

ONLINE QUERY allgo.ie/contact

SALES TEAM 01 253 0040 / sales@allgo.ie

OTHER STAFF REWARD TAX SCHEMES

In addition to the Small Benefit Scheme, Irish Revenue offers employers a variety of other ways to reward employees in a tax-efficient manner. These other schemes include-

➔ Staff Discounts

You can reward employees by offering a discount on goods or services that you produce or sell in your business. The discounts offered are completely free of Benefit-In-Kind as long as:

- the amount paid by the employee is greater than or equal to the costs incurred by the employer to provide them with the item, and
- the goods cannot easily be changed into cash (ie employees cannot sell the item easily).

➔ Bike to Work Scheme

The Cycle to Work Scheme (generally known as the Bike to Work Scheme) allows employers to buy a new bicycle and safety equipment for employees with any BIK. The scheme limit is €1,500 for ebikes and related safety equipment, and to €1,250 for non ebikes.

To qualify for the Scheme, the employer needs to be invoiced for the bike & equipment. The employer can simply pay the invoice for the employee without any BIK implication up to the Scheme limits. The other option is for the employee to pay for the bicycle through a "salary sacrifice" scheme, where the employer pays for the bicycle initially, and then deductions are made from the employee's gross salary over 12 months.



➔ Long Service Award

Employers can reward employees for significant long service completely tax-free as long as ALL the following conditions are satisfied –

- the award is made to mark long service (must be 20 years or more);
- the award is a tangible item (that is, not vouchers, bonds or cash);
- the award cost is €50 or less for each year of service;
- no similar award has been given to your employee within the last five years.

So for example, if an employee has 20 years' service, the employer can give them a physical gift worth €1,000 without any BIK.

However, because of the numerous restrictions with this long service scheme, some employers opt to use the Small Benefit Scheme instead to make service awards tax-efficient, especially for service awards less than 20 years, and where the €1,000 Small Benefit limit is sufficient.

...continued from previous page

➔ Travel Passes

Employers may provide a monthly or annual travel pass for bus, train, Luas or ferry services to employees without it being subject to BIK taxes.

The bus, train, Luas or ferry pass must be issued by public or private operators who hold valid licences. Car parking charges are not included in this scheme.

Like the Cycle to Work Scheme, the employer can either pay for the entire travel pass completely tax free, or operate a salary sacrifice scheme, where the employee would save the PAYE, PRSI and USC on the value of the travel pass.

➔ Company Events

Many companies organise social events for team building and employee engagement. These events are often regarded as being part of the employee reward strategy.

Revenue allows for seasonal parties and other inclusive events - eg Christmas parties, special occasion meals or other inclusive events, such as sports days, for your employees.

The cost of these events are not subject to BIK, provided -

- the expenses incurred are reasonable and,
 - the event is available to all employees.
-

➔ PAYE Settlement Agreement (PSA)

If an employer wants to make regular rewards to employees that are not part of any tax-free reward scheme, then Revenue offers a facility to make the payment of the BIK on the rewards easy and efficient.

Employers can apply for a PSA (PAYE Settlement Agreement). Once approved, the employer can then issue rewards all year without reflecting the rewards in PAYE tax returns or payroll.

Then at the end of the year, the employer can make a single return to Revenue with the total value of all rewards issued.

The employer calculates the gross amount of the rewards by factoring in the PAYE, PRSI and USC, and Employers PRSI.

The employer then submits the Gross Reward Figure to Revenue, together with a list of the employees who received rewards (and their PPS numbers).

The company can then make a single payment for PAYE, PRSI and USC, and Employers PRSI for the previous year via ROS by 15th February.

So even though the rewards are subject to BIK on the "grossed-up" amount, the taxes do not have to be calculated in payroll, and the rewards themselves do not appear on employees' payslips or P60s.





SMALL BENEFIT SCHEME **FAQS**

➔ Can we use the Small Benefit Scheme to pay bonuses?

Yes, up to the €1,000 threshold as long as the bonus is not part of an employee's contractual remuneration (eg a guaranteed fixed bonus). This is because salary sacrifice arrangements do not qualify for the Scheme. Many employers use the Scheme to pay the first €1,000 of yearly discretionary company bonuses tax-free.

➔ If you have 2 sources of income from 2 separate companies, can you receive tax-free vouchers from both?

This one is unclear. The legislation says that not more than two vouchers totaling €1,000 can be given to an employee in a year, but doesn't say if that is from one or multiple employers. Employees should seek specific tax-advice on this.

➔ If an employment contract includes quarterly bonuses if KPIs are met, can the first bonus be paid via a tax free reward?

The key here is understanding if the KPI bonus is part of your contractual remuneration (ie specified in your employment contract), or if it is discretionary (ie up to the company to decide if and how much to pay).

Discretionary bonuses qualify for the Small Benefit Scheme, contractual remuneration does not.

➔ What happens if I want to give an employee a single reward that is over €1,000?

Then, the entire reward is subject to BIK. For example, you award an employee a gift voucher worth €1,250 in December. It is the first award/gift the employee has received that year. Because the benefit exceeds €1,000 in value, the full value of that benefit is subject to PAYE, PRSI and the USC.

In this case, the best solution would be to award €1,000 in tax-free gift vouchers to the employee and process an additional bonus payment of €250 in the employee's payroll in December.

The company can decide whether the employee should pay the tax on the €250 or whether to gross-up the payment and pay the tax on it for the employee.

➔ Can company directors avail of the Small Benefit Scheme?

In understanding whether a company director qualifies for the Scheme, the key factor is whether the director is considered an employee, as the legislation behind the Scheme states that the voucher must be "given to an employee by his or her employer". Therefore the following commonly applies -

Proprietary Director - qualifies for the Scheme as long as they are in paid employment in the company. As proprietary directors are classified as self-employed for PRSI, and there is no employer PRSI for self-employed workers, the overall tax-saving may be 11.05% less than for non-proprietary directors.

Salaried Director - qualifies for the Scheme as they clearly satisfy the employer / employee relationship requirement.

Director who receives Directors' Fees - qualifies for the Scheme as long as the directors fees are paid via payroll (which is the method Revenue recommends).

Non-Exec Director who receives Dividend Income - though not specifically excluded from the Scheme, these directors may not satisfy the employer / employee relationship requirement. Companies should seek specific tax-advice on this.

Unpaid Directors - normally do not qualify for the Scheme as they are not employed the company. In some cases, employed directors can forego salary while still being considered employed. Companies should seek specific tax-advice on this.

➔ Can self-employed workers avail of the Scheme?

Yes, as long as they are in receipt of "Schedule E" income from their company on which income tax, PRSI and USC is being deducted. As there is no employer PRSI for self-employed workers, the overall tax-saving may be 11.05% less than for employed workers.

➔ Can Sole Traders avail of the Small Benefit Scheme?

No, because Sole Traders do not receive Schedule E income from their businesses. Employees of a Sole Traders can avail of the Scheme however.

➔ Do contractors qualify for the Small Benefit Scheme?

Yes. How they qualify just depends on how they get paid. If an external contractor is paid through your company's payroll, then they can avail of the Scheme through you. If they invoice for their services, they can avail of the scheme as an employee of their own company. They cannot qualify both ways.

➔ Is there a minimum the employee needs to earn to qualify?

No, the person just needs to be an employee at the time the reward is made.

➔ Is there a minimum employment period to qualify?

No, the person just needs to be an employee at the time the reward is made.

➔ Do part-time employees qualify for the full €1,000 relief on the Scheme?

Yes, they do. No distinction is made by Revenue between full and part-time employees. As long as the person is an employee of the company, they can avail of the full €1,000 threshold regardless of the number of hours they work.

➔ Can we use the scheme for our Northern Ireland employees?

No, not unless they are being paid through the ROI payroll, and are paying income tax to Irish Revenue.

➔ **If not fully used up, can the €1,000 tax-free amount be carried over to next year?**

No. On January 1st each year, the €1,000 is reset for every employee, regardless of how much or how little they were awarded through the scheme in the previous year.

➔ **What happens if I want to give employee rewards more than twice a year?**

Only the first two rewards will qualify for the Small Benefit Scheme.

For example, you award a €500 voucher in January to an employee, and then another €500 to the same employee in July. Both of their rewards are tax-free under the Scheme.

However, if an employer gives a further €100 reward in December, the employer would need to pay the BIK on this voucher by grossing up the €100 benefit in the employee's payslip, and paying the taxes for them.

➔ **Is there any way to use the Small Benefit Scheme year round?**

Yes! You can use the scheme throughout the year in conjunction with a qualifying points system, such as Allgo Points.

With this Revenue-approved system, you can award points to your employees throughout the year, and then have the points converted into gift cards at the end of the year up to maximum of €1,000 tax-free.

➔ **How is the €1,000 accounted for on the employees pay slip?**

The tax-free reward does not get included in the company payroll or employee payslip.

➔ **As an employer, do I need to make a return to Revenue for the Small Benefit Scheme?**

No. If audited, it is sufficient to show that the total cost of the Small Benefit Scheme is the same or less than the no. of employees at the time multiplied by €1,000. More detailed records can obviously be kept if desired.

➔ **As an employee, do I need to make a return to Revenue for the Small Benefit Scheme?**

No, nothing needs to be returned to Revenue.

➔ **Can the Small Benefit Scheme be used for Industrial Relations?**

Not only can it, but more and more labour agreements are incorporating a mandatory tax-free payment to workers through the Scheme.

➔ **How much do Irish companies typically award on average through the Scheme?**

The average reward per employee was just over €300 in 2021 when the Scheme was limited to €500 per employee.

The average reward per year on the Scheme is expected to increase with the new threshold of €1,000 in 2022.

➔ **How much tax do Irish employers save each year?**

If all Irish employers fully availed of the Small Benefit Scheme at the higher rate of tax, the total annual tax saving would be €1.3 billion!. Because only 60% of Irish employers use the Scheme, and on average those that do are expected to avail of about 60% of the €1,000 limit, the actual annual tax saving is in the region of €400 million.

➔ **What are the best reward options for Small Benefit Scheme?**

The most popular rewards on the Scheme are multi-retailer gift cards (like One4All, Me2You and AllGifts Vouchers), Supermarket gift cards (like Dunnes or Tesco), and open-loop Mastercard gift cards (like the Allgo Mastercard that can be spent anywhere that accepts Mastercard). Other options include local shopping vouchers and physical gifts (eg seasonal hampers).

➔ **If we give Long Service awards, can the employee still use the Scheme?**

Yes, as long as in relation to the long service award-

1. the award is made to mark long service of not less than 20 years.
2. the award is a tangible item (that is, not vouchers, bonds or cash).
3. the cost is not more than €50 for each year of service.
4. no similar long service award has been made to the employee within the previous five years.

➔ **If we offer staff a discount on our own goods and services, can we still use the Scheme?**

Yes, as long as in relation to the discounted goods or services-

1. the amount paid by the employee is equal to or more than the cost to the company, and
2. the discounted goods cannot easily be changed into money.

If your question on the Small Benefit Scheme is not answered here, don't hesitate to contact Allgo Rewards for further discussion.

Disclaimer:

The information contained in this guide is prepared by Allgo Global Rewards Limited based on extensive past experience of the Small Benefit Scheme and information available from Revenue in September 2022.

Allgo is not a qualified tax advisor however, and takes no responsibility for the accuracy of the information contained in this guide. Allgo recommends that employers seek independent taxation advice before awarding incentives or rewards.

SMALL BENEFIT SCHEME | ABOUT ALLGO REWARDS

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