Response from ICAS to the HMRC Consultation

‘Employee benefits and expenses: trivial benefits exemption’

9 September 2014
Employee benefits and expenses: trivial benefits exemption: Consultation

About ICAS

1. The Institute of Chartered Accountants of Scotland (ICAS) is the oldest professional body of accountants. We represent over 20,000 members who advise and lead businesses. Around half our members are based in Scotland, the other half work in the rest of the UK and in almost 100 countries around the world. Nearly two thirds of our members work in business, whilst a third work in accountancy practices. ICAS members play leading roles in around 80% of FTSE 100 companies. ICAS is also a public interest body.

Introduction

2. ICAS welcomes the opportunity to comment on the consultation ‘Employee benefits and expenses: trivial benefits exemption’, issued by HMRC on 18 June 2014.

General comments

3. The recommendations of the Office of Tax Simplification (OTS) are warmly welcomed and ICAS agrees with the OTS recommendations to simplify this aspect of employee benefits and expenses.

4. Simplification is meant to be driving this exercise therefore it seems surprising that so many questions can arise in conjunction with changing the tax treatment of trivial amounts and benefits.

5. ICAS considers that the limit for an annual exemption should be £100 per employee for trivial amounts and benefits, and without distinguishing between cash, vouchers or other benefits. Anything beyond this should go through payroll. In addition the annual exemption should be per employee at each employment held during the tax year, with the exception of connected employments (one employer controlled directly or indirectly by another) in which case the employments should be treated as one and only eligible for one annual exemption. This is the most pragmatic option because:

   - The employer only has to factor in gifts it has made to the individual concerned during the tax year
   - The individual is not required to retain details of gifts received from a previous employment in the same tax year
   - There is no need for an exchange of information between employers during or following the end of the tax year when considerations are made for reporting under forms P11D, and
   - It would reduce the record keeping and administrative requirements of an employer over a trivial area of PAYE.

6. A dual test of defining a monetary limit for each trivial benefit, and also a total annual exemption, overcomplicates matters and should not be pursued.

7. HMRC is encouraged to push forward with these recommendations.