

Considerations when making bonus payments or rewards to staff

Tax on 'Trivial Benefits'

You don't have to pay tax on a benefit for your employee if all of the following apply:

- it cost you £50 or less to provide
- it isn't cash or a cash voucher
- it isn't a reward for their work or performance (rather it's for Easter, Christmas, their Birthday, etc)
- it isn't in the terms of their contract

This is known as a 'trivial benefit'. You don't need to pay tax or National Insurance or let HM Revenue and Customs (HMRC) know.

<https://www.gov.uk/expenses-and-benefits-trivial-benefits>

N.B. But staff DO have to pay tax on any benefits that don't meet all these above criteria, and staff will have to pay relevant taxes to any increase in salary or in relation to a bonus that is paid to them (which is viewed as an increase in salary).

Therefore, if you increase a staff salary, this may also have an adverse impact if they are in receipt of benefits, i.e. Council Tax Reduction, Housing Benefit, Universal Credit (please refer to next page for basic information on the benefit process)

If you're not sure whether a benefit counts as a 'trivial benefit' you can call the HMRC employer helpline on: 0300 200 3200

The phone line opening hours are: Monday to Friday: 8am to 6pm

Closed on weekends and bank holidays.

You may also want to talk to your Business Accountant about the above suggestion for your staff.

Here are a couple of links to organisations that can help you purchase 'Trivial Benefits' for your staff.

<https://www.one4allrewards.co.uk/taxfree.html>

<https://blackhawknetwork.com/uk-en/resources/using-gift-cards-non-taxable-trivial-benefit>

Quick Guide to Benefits

Useful websites

1. Universal Credit and entitlements

<https://www.gov.uk/universal-credit/what-youll-get>

2. Different benefit calculators

<https://www.gov.uk/benefits-calculators>

3. Bradford Council Housing Benefit, Council Tax Reduction, Free School Meals and Discretionary Housing Payments

<https://www.bradford.gov.uk/benefits/applying-for-benefits/housing-benefit-and-council-tax-reduction/>

Council Tax Reduction

- For Working Age applicants, the maximum amount of Council Tax Reduction is 70% of a Band A property charge (regardless of the band of property they are resident in)
- Minimum entitlement is £4 per week any less than that then there is no entitlement to CTR.
- A change in circumstance is applied to a claim when - the change affects entitlement by £1 per week or more or when the aggregate of multiple changes add up to £1 per week change in entitlement (unless a change reduces weekly entitlement to less than £4 per week then Council Tax Reduction will cease).

Housing Benefits is based on....

- The household makeup
- The property is rented or owned
- If renting from a non-registered social landlord then the Local Housing Allowance will be applied
- If renting from a registered social landlord, then they may be subject to the Social Sector Size Criteria
- Any non – dependents in the property as HB will be reduced based on their age and income
- Earnings and savings of the household
- If an increase of earnings results in the termination of Housing Benefit then the applicant will need to apply for Universal Credit and they will not be able to reclaim HB.

Income

- Earned income is taken into account.
- Some earnings are not counted as income depending on the number of hours they work, whether they are a single parent or a couple.
- Any payment such as bonuses, overtime, holiday pay etc are all taken into account as earnings
- One off payments such as a bonus payment is apportioned across the period it is applicable for, e.g. – a £250 bonus paid for 6 months would be apportioned as income across the 6 months, which may lead to a lesser reduction in benefits each month. So, if a bonus is paid at the end of March for the previous 12 months, the reduction each month in Council Tax would be apportioned over the next 12 months and would therefore be less than if the bonus was paid in January as the decrease in Council Tax Reduction would be reclaimed in February and March).

There are tapers used in benefits for income, so benefit entitlement is reduced.

Every additional £1 in income earned Universal Credit will reduce by 55p

Every additional £1 in income earned Housing Benefit will reduce by 65p

Every additional £1 in income earned Council Tax Reduction entitlement will reduce by 20p

****Please note – if someone is in receipt of Universal Credit (UC) and they make a claim for Council Tax Reduction (CTR), the UC assessment of income will be taken into account, there is not a separate assessment of income for CTR made.

Therefore the maximum loss for a staff would be 75p for every £1 earned if in receipt of benefits. Staff would keep 25p of the additional £1 earned.

N.B. However, if someone was receiving £4.10 in CTR but an increase in income resulted in their entitlement to CTR being reduced by 20p to £3.90 (taking them under the minimum amount allowed) then they would in effect lose the whole £4.10 of CTR, instead of someone just losing 20p on CTR if their initial entitlement was £5.10 then reduced to £4.90.

*******Disclaimer** – this is just a very basic guide for what is actually a very complex process and individual circumstances and outcomes may vary*****