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REFORMING TAX RELIEF FOR TRIVIAL BENEFITS

Representation by Association of Taxation Technicians in respect of the Autumn Budget 2025

1 Introduction

- 1.1 The Association of Taxation Technicians (ATT) considers that the 'trivial benefits' rules in s323A ITEPA 2003 (which provide for Income Tax relief on certain employer provided benefits) should be amended to:
- Allow relief where an employer reimburses an employee for a purchase which would have qualified as a trivial benefit, had the employer paid for it directly.
 - Increase the £50 limit on benefits, which has remained at the same level since the legislation was first introduced in 2016.
- 1.2 The primary charitable objective of the ATT is to promote education and the study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations. This submission is written with that background.

2 Our recommendation

- 2.1 We recommend that, where all other relevant conditions are met (see 3.1 below), a benefit should qualify for relief under the trivial benefits legislation regardless of whether the costs are paid directly by the employer or an employee is reimbursed. The current lack of consistency creates a perceived unfairness, as well as creating unnecessary complexity in the tax system.

Such a move could be supported by appropriate safeguards to ensure that the reimbursement only relates to expenditure which would otherwise qualify as a trivial benefit, such as employers retaining evidence in the form of expense reclaims with supporting receipts / invoices. This would align with HMRC's current approach to business travel and subsistence expenses.

- 2.2 We also consider that the monetary limit on trivial benefits should be increased. This has been set at £50 since the legislation was first introduced in 2016. The effects of inflation since that date have reduced the overall usefulness of the trivial benefits exemption (see 3.11), such that many of the items that were originally envisaged to be covered by the exemption cannot be sourced for below £50 in many parts of the UK.

- 2.3 Any potential abuse arising from these suggestions should be limited by the existing anti-avoidance measures for close companies, which limit the trivial benefits which can be provided to directors, and their households / families, to £300 per tax year (see 3.2).

3 Background to our recommendation

- 3.1 The trivial benefits rules in s323A ITEPA 2003 state that no liability to income tax arises in respect of a benefit provided by an employer to an employee (or a member of their family / household) provided all of the following conditions are met:
- Condition A – the benefit is not cash, or a cash voucher.
 - Condition B – the cost of the benefit does not exceed £50.
 - Condition C – the benefit is not provided under salary sacrifice arrangements or any contractual obligation.
 - Condition D – the benefit is not provided in recognition of particular services performed by the employee, or in anticipation of them.
- 3.2 Where a benefit is provided to a director of a close company (or a member of their family / household), a further 'Condition E' must also be met. This states that total trivial benefits provided to that person or a member of their household in a tax year cannot exceed £300.
- 3.3 HMRC's view is that, where an employer reimburses an employee for an expense the employee has incurred on their own account, this cannot qualify as a trivial benefit under s323A ITEPA 2003. This is on the grounds that condition A is not met, as the employee has received a benefit in the form of cash. The reimbursement is instead treated as a cash payment taxable as earnings within s70 ITEPA 2003, subject to any deduction that might otherwise be due as an allowable employment expense.
- 3.4 As a result, in the absence of any right to a specific deduction for the expense in question, the reimbursement of cash by an employer, to an employee who has bought something for themselves on behalf of their employer is taxable, even if all the other conditions of the trivial benefits rules are met. This can result in inconsistency of treatment, with the same benefit falling to be either taxable or exempt, depending on how it is paid for by the employer.
- 3.5 For example, flu vaccine vouchers given to employees can qualify as a trivial benefit. However, directly reimbursing an employee who has paid for their own vaccine will be taxable. This causes practical problems for employers who wish to provide flu vaccines, as vouchers are not always the right answer - some schemes have closed to new entrants, and not all employees can access the same provider if they work remotely or are not near the applicable chain of pharmacies. Indeed, in some cases, pharmacies which are local to the employee may not offer a voucher scheme.

The trivial benefit rules also do not take account of commercial factors, such as where the provision of a voucher is not the most cost effective way of providing the benefit.

- 3.6 Another area of difficulty in applying the trivial benefits code is where an employee receives a cash reimbursement but is not the recipient of the benefit itself. HMRC's position is that the reimbursement of cash by an employer, to an employee who has purchased a benefit on behalf of the employer, is not covered by the trivial benefits rules.
- 3.7 Again, this throws up some unhelpful inconsistencies. For example, a bunch of flowers given to a bereaved employee would qualify as a trivial benefit for that employee. However, if a colleague makes the purchase and is reimbursed, this would not qualify as a trivial benefit for them. Similarly, team treats (cakes etc.) are treated differently depending on whether the employer makes the initial purchase or chooses to reimburse the employee who made the purchase. As with the flu vaccine reimbursement, while the same benefit is ultimately being provided by the employer, the different means of payment results in different tax treatment.
- 3.8 In practice, we suspect that these distinctions are often overlooked – which puts the employer and employee at risk of potential interest/penalties in the event of an enquiry, as well as absorbing HMRC time and resources.
- 3.9 It does not make sense that the same benefit delivered to the same employee should either qualify or not qualify for relief depending solely on how it is paid for. The method by which an employer covers the cost of a benefit should not dictate its tax treatment. Instead, in determining whether a benefit is taxable or not, the focus should be on the nature of the benefit in question.
- 3.10 The possibility of extending exemption to reimbursed flu vaccines was considered in a joint HMRC/HMT consultation issued under the previous government *Tax incentives for occupational health*¹. We would recommend that the current government should revisit this and could even go further and consider widening the trivial benefits exemption to cover all reimbursement of otherwise qualifying expenditure.
- 3.11 Finally, we note that the £50 limit in Condition B has been in place since the relevant legislation was first introduced in 2016. Many items, such as flowers for an employee who is sick or bereaved, cannot easily be purchased for under the £50 limit. Based on the Bank of England inflation calculator², this would now be at least £69 if it had been uprated in line with inflation.
- 3.12 Before the trivial benefits exemption was put into legislation, employers could ask HMRC to treat a benefit as exempt on the grounds it was trivial, with no set monetary limit. We appreciate that a limit may be needed in a statutory exemption which does not require HMRC's pre-approval. However, given recent high levels of inflation, £50 is often too low in practice. Consideration should therefore be given to increasing this cap to a sensible level, preferably in line with inflation.

4 Contact details

- 4.1 We would be pleased to join in any discussion relating to this representation. Should you wish to discuss any aspect of this representation, please contact our relevant Technical Officer, Chris Campbell on atttechnical@att.org.uk.

¹ <https://www.gov.uk/government/consultations/joint-hmt-hmrc-consultation-on-tax-incentives-for-occupational-health/tax-incentives-for-occupational-health-consultation>

² <https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator>

The Association of Taxation Technicians

14 October 2025

5 Note

5.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government, and academia.

The Association has more than 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.