

Chapter 5 - The Small Benefit Exemption (SBE)

Part 05-01-01e

This manual should be read in conjunction with section 112B of the Taxes Consolidation Act 1997

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1 Introduction

This manual outlines the tax treatment applicable, under section 112B Taxes Consolidation Act 1997 (TCA 1997) where an employer provides a qualifying incentive (as defined in [paragraph 2](#) below) to an employee. This measure is commonly referred to as the “small benefit exemption”.

Generally, where an employer provides a qualifying incentive (i.e., a voucher) to an employee it is subject to Income Tax (IT), Universal Social Charge (USC) and Pay Related Social Insurance (PRSI) under the Pay As You Earn (PAYE) system. However, section 112B TCA 1997 provides that a qualifying incentive may be given to an employee without giving rise to a charge to tax where certain conditions are met.

From 1 January 2024 an employer will be required to return, in real time, details of all qualifying incentives provided to employees where the small benefit exemption applies - see [paragraph 4](#) below for further details.

2 Qualifying Incentive

Prior to Finance Act 2022, section 112B provided for an exemption from income tax, PRSI and USC, where an employer provided an employee with a qualifying incentive, that is, a voucher or a benefit (i.e., a tangible asset other than cash) with a value not exceeding €500, provided all of the conditions contained within the section were satisfied.

Finance Act 2022 amended this measure. As a result, for 2022 and subsequent years of assessment a ‘qualifying incentive’ is defined as the first or the second ‘relevant incentive’ given to an employee in a year of assessment where:

- (a) in the case of a first relevant incentive, the value does not exceed €1,000, and
- (b) in the case of a second relevant incentive, the cumulative value of the first and second relevant incentives does not exceed €1,000.

A ‘relevant incentive’ means either a voucher or a benefit that is given to an employee by his or her employer in a year of assessment where the following conditions are satisfied:

- (a) the voucher or the benefit does not form part of a salary sacrifice arrangement;
and
- (b) the voucher can only be used to purchase goods or services and cannot be redeemed, in full or in part, for cash.

Where **all** of the above conditions are met, the voucher or benefit will be a qualifying incentive and will be eligible for the small benefit exemption, meaning no tax is payable on the receipt of the voucher or benefit by the employee.

It is important to note that the legislation does not permit an employer to select which incentives they can apply the tax exemption to. For example, an employer may not opt to tax the first and/or second benefit in a year of assessment to allow

an employee to avail of the exemption later in the year when further benefits of higher value are provided.

If all of the above conditions are not satisfied, the voucher or benefit will not meet the criteria for the small benefit exemption, and IT, USC and PRSI will be chargeable on same, with tax operated by the employer via payroll.

See [Tax and Duty Manual Part 05-01-01a](#) for details on how to determine the value of a benefit received where the small benefit exemption does not apply.

3 Concessional Treatment – COVID 19 circumstances

Due to the unprecedented nature of the COVID-19 pandemic, employers may have wanted to recognise efforts of frontline or other key staff working during the crisis, either by accelerating part of a reward usually made later in the year or making an additional award.

Up to and including the year of assessment 2021 only one voucher or benefit with a maximum value of €500 could be provided under the small benefit exemption.

Following the start of the COVID-19 pandemic, Revenue, in certain circumstances, concessionally waived the condition that only one qualifying voucher could be issued tax free per year for the 2020 and 2021 tax years.

For 2021 and 2022 where all other conditions of section 112B TCA 1997 were met, including that the maximum cumulative value of incentives did not exceed €500 and the incentive was not redeemable, in full or in part, for cash, two incentives/vouchers per employee were permitted.

Appropriate documentation must be retained by an employer where this concession was availed of.

4 Returns by Employers in Relation to Reportable Benefits

Section 897C of the TCA 1997, introduced by Finance Act 2022, provides for the mandatory reporting to Revenue by employers in respect of three specific measures, collectively referred to as 'reportable benefits'. One of the measures subject to the reporting requirement is the small benefit exemption.

Under the provisions of section 897C TCA 1997, an employer is obliged to report to Revenue the date and value of any small benefit, where the exemption to tax applies, on or before the date the benefit is granted to the individual (i.e., in real time).

The statutory obligation to report such details commenced on 1 January 2024. Detailed guidance material on enhanced employer reporting is available in Tax and Duty Manual [Part 38-03-33](#) - Returns by Employers in Relation to Reportable Benefits. In addition, an informational video is also available at www.revenue.ie/err.

5 Examples

Example 1

Philip is a high performing employee. His employer is aware of the small benefit exemption and in 2023 wants to issue him with a voucher worth €600 during the year to show appreciation for his efforts. This is the first and only voucher provided to Philip by his employer in 2023.

As the value of the voucher does not exceed €1,000, it meets the requirements under section 112B TCA 1997 to avail of the small benefit exemption. Philip's employer can provide the voucher to him and no tax charge will arise.

As outlined in [paragraph 4](#) above, if the benefit were instead provided in 2024, the employer would be required to report this benefit to Revenue in real time.

Example 2

Barry works as a sales representative for a medical device manufacturer. He receives a voucher worth €500 in February 2022.

When the company issues its financial results in June 2022, all company employees including Barry are rewarded with a voucher valued at €200, in recognition of their efforts in the previous accounting year.

In the first week of December 2022 Barry receives a further voucher from his employer with a value of €500. The value of the third voucher provided to Barry in December 2022 is fully chargeable to tax, as it is the third relevant incentive provided to Barry by his employer in 2022.

As outlined in the introduction above, a qualifying incentive is a relevant incentive that is the first or the second relevant incentive given to an employee in a year of assessment where:

- (a) in the case of a first relevant incentive, the value does not exceed €1,000, and
- (b) in the case of a second relevant incentive, the cumulative value of the first and second relevant incentives does not exceed €1,000.

Therefore, where the first and second voucher or benefit meets the conditions to be a qualifying incentive, the exemption applies. It is not permissible to opt to tax the first and/or second qualifying incentive in a year of assessment to allow an employee to avail of the exemption later in the year when a third benefit is granted with a higher value.

If the vouchers were instead provided in 2024, as outlined in [paragraph 4](#) above, the employer would be required to report details of the first and second voucher to Revenue in real time.

Example 3

Marina works in an engineering company and earns €91,000 per annum. The company is undergoing a reorganisation and, as part of the reorganisation, in June 2023 Marina has agreed to the following changes in her terms of employment:

- Marina's salary will be reduced to €90,000,
- Marina will forego €1,000 of her salary in favour of an annual travel pass issued by an approved transport provider (under the terms set out in section 118(5A) TCA 1997) valued at €1,000 per annum, and
- Marina will also receive a single shopping voucher of €500 per annum.

Marina has received the shopping voucher as part of arrangement she made in exchange for a reduction in her salary. The voucher will therefore not qualify for the small benefit exemption and Marina's employer must operate IT, USC and PRSI on the face value of the voucher.

Additionally, as the voucher acted as an incentive payment for Marina to take up the salary sacrifice arrangement, the full value of the salary sacrificed will remain taxable under section 118B(4)(b) TCA 1997.

See [Tax and Duty Manual Part 05-01-01k](#) for further information in respect of salary sacrifice arrangements.

Example 4

Brenda is dismissed from her employment in January 2023. She brought a case to the Workplace Relations Commission after her dismissal as her employer had not paid her final month's salary of €2,000.

Following discussions in advance of the hearing, her employer offered to pay her €1,500 salary and provide a €500 voucher in order to settle the case. Brenda accepted this offer.

As Brenda's dispute related to unpaid salary, the €500 voucher would be considered part of a salary sacrifice arrangement because Brenda agreed to accept this amount in lieu of €500 salary owed to her. As such, Brenda's former employer is required to operate IT, USC and PRSI on the face value of the voucher as the small benefit exemption does not apply in this case.

Example 5

Noel's employer provided him with a gift card valued at €400 when the company reached its financial targets in June 2023. The gift card can either be used in store or online by Noel to purchase goods and services. It can also be inserted into a cash machine and used to withdraw cash.

As the gift card is redeemable, in full or in part, for cash it will not be a qualifying incentive for the purposes of the small benefit exemption, and Noel's employer must operate IT, USC and PRSI on the value of the gift card. This is the case irrespective of the fact that Noel might not actually use the card to withdraw cash.

Example 6

Denis receives a long service award in June 2023 from his employer having completed 20 years of service. The award is a Waterford crystal bowl with a value of €50. In December 2023 Denis receives a voucher for €1,000.

To note, long service awards are generally chargeable to tax. However, a Revenue practice provides that where an award takes the form of tangible articles of reasonable cost, a charge to tax will not arise provided that:

- the cost to the employer does not exceed a maximum of €50 for each year of service,
- the award is made in respect of a period of service of not less than 20 years, and
- no similar award has been made to the recipient within the previous 5 years.

As Denis has never received an award of this nature previously, the bowl meets the conditions to avail of the long service award treatment.

Therefore, the voucher that Denis receives in December will be his first relevant incentive in 2023 and since it meets the conditions of section 112B TCA 1997, it will qualify for the exemption from the charge to tax.

However, where the conditions to avail of the long service award practice are not met and the conditions of section 112B are met, then the award will count as a relevant incentive and the section 112B exemption will apply.

For example, if Denis had only completed 10 years of service, then the bowl valued at €50 would not qualify for the Revenue practice. Where it met the conditions of section 112B, it would constitute his first relevant incentive in 2023.

As the voucher granted to Denis in December is for €1,000, the cumulative value of the first and second relevant incentive is in excess of €1,000. Therefore, the conditions of section 112B TCA 1997 are not met. As a result, the €1,000 voucher will be subject to IT, USC and PRSI.

Example 7

During 2023 David receives the following benefits from his employer:

- a hamper at Easter valued at €100, and
- a voucher at Christmas worth €900.

As the cumulative value of both incentives does not exceed the monetary limit of €1,000 and on the basis that the other conditions of section 112B TCA 1997 are met, the small benefit exemption will apply to both incentives.