

More Than €182 Million of Tax- and PRSI-Free 'Small Benefits' Available to Employers

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Employers can avail of a Benefit-In-Kind (BIK) concession that allows the tax and PRSI-free payment of more than €182 million in 'Small Benefits' this year which amounts to €100 for each employee in the country, according to Michael Dawson, Managing Director, The Gift Voucher Shop (GVS).

He was speaking last week at the launch of the company's Gift Voucher Tax-Free Bonus Business Awareness Campaign. GVS is the market leader in the Irish Gift Voucher market and is part of FEXCO, the Kerry, Ireland-based global payments company.

Since 1st January 2004, Pay As You Earn (PAYE), Pay Related Social Insurance (PRSI) and Health Contributions must be operated by employers regarding the taxable value of most benefits-in-kind and other non-cash benefits provided for their employees.

However, under the Revenue Commissioners' approved 'Small Benefit Exemption' scheme, employers can provide employees with a Gift Voucher up to the value of €100 as a once-off benefit during the tax year which is not subject to PAYE or Employee and Employer PRSI. This €100 Gift Voucher is tax free even if the employee is receiving other taxable BIK.

Employers and employees both benefit when a €100 bonus is paid by Gift Voucher rather than in cash as shown in the example below.

Bonus of €100 Paid by Gift Voucher Bonus of €100 Paid in Cash

Gift Voucher Value	€100.00	Cash	€100.00
PAYE	Nil	PAYE	€ 80.77
PRSI (Employees)	Nil	PRSI (Employees)	€ 11.54
Total	€100.00	Total	€192.31
PRSI (Employers)	Nil	PRSI (Employers)	€ 20.67
Total Cost to Employer	€100.00	Total Cost to Employer	€212.98
Net Benefit to Employee	€100.00	Net Benefit to Employee	€100.00

There is no requirement to make a return to the Revenue Commissioners in relation to this benefit. The payment must be made in one payment each year i.e. if the initial benefit is €50 then the exemption is used up where the exemption is one exemption per employee per year up to a maximum of €100.



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Under the BIK rules, income tax due on benefits must be collected by employers through the operation of PAYE on the taxable value of the benefit. PRSI is due on benefits and must be collected by the employer through the operation of PRSI on the taxable value of the benefit. This applies to most benefits, including Gift Vouchers, subject to certain exceptions.

The total company cost of providing a €100 Gift Voucher to an employee, where the company pays the PAYE and PRSI on the gift voucher, is €212.98 at the 42 per cent tax rate and €150.44 at the 20 per cent tax rate. Companies can make significant savings by availing of the 'Small Benefit Exemption' depending on the number of employees that are paid under the scheme as illustrated in the example below.

Saving to company availing of the	42% Rate	20% Rate
'Small Benefit Exemption'	€112.98	€50.44
Maximum saving for 100 employees	€11,298	€5,044
Maximum saving for 250 employees	€28,245	€12,610
Maximum saving for 500 employees	€56,480	€25,220
Maximum saving for 1000 employees	€112,980	€50,440
Maximum saving for 2500 employees	€282,450	€126,100
Maximum saving for 5000 employees	€564,900	€252,200

Speaking at the announcement, Michael Dawson said, "Under the approved BIK concession system, employers can reward employees by making once-off payments by gift voucher that are free of tax and PRSI. With more than €182 million available under the scheme, that works out as €100 for every employee in the country. Companies can achieve significant savings when rewarding employees by using the 'Small Benefit Exemption'.

"Gift vouchers from The Gift Voucher Shop have become the number one choice in the market among the general public as the preferred reward they would like to receive. They also offer the most efficient and cost effective way for businesses to fulfil reward and incentive programmes," added Michael Dawson.

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For further information, please contact:

Michael Dawson, Managing Director, The Gift Voucher Shop Ltd. Telephone: (01) 8074047

or

Barry Ahern, Business Management Communications. Telephone: (087) 6683574