

# Irish Employees Could Benefit by €480 Million in 2005

## Budget Increase in Small Benefit-in-Kind Exemption Threshold Improves Employee Incentive Opportunities

The Budget increase in the small Benefit-in-Kind (BIK) exemption threshold from €100 to €250 could be worth in excess of €480 million to Irish employees in 2005, according to Michael Dawson, Managing Director of The Gift Voucher Shop, Ireland's largest Gift Voucher company, which is part of FEXCO, the Kerry, Ireland-based global payments company.

He was speaking today (DAY, DATE) as the company revealed that many Irish companies remain unaware of the €182 million available in business tax concessions under the 'Small Benefit Exemption' scheme for 2004. The BIK concession for 2004 can still be used for Christmas and end-of-year bonus purposes.

The increase in the threshold will take effect from 1st January 2005. Where an employer provides an employee with a once-off benefit during the 2005 tax year of up to €250 by way of a gift voucher, this payment is not subject to PAYE or PRSI. To qualify the payment must be made in one payment and qualifies for tax relief even where other benefits are made to the employee. There is no requirement to make a return to the revenue in relation to the payment.

The scale of the benefits is illustrated in the example below.

### EXAMPLE @ 42% TAX RATE

Face Value of Gift Voucher	€250.00
PAYE calculated @ 42% rate (250/52 x 42)	€201.92
PRSI calculated @ 6% (250/52 x 6)	€ 28.85
Grossed up Value of Gift Voucher	€480.77
Employers PRSI @ 10.75% (480.77 x 10.75%)	€ 51.68
Total Cost to Employer	€532.45

### EXAMPLE @ 20% TAX RATE

Face Value of Gift Voucher	€250.00
PAYE calculated @ 20% rate (250/74 x 20)	€ 67.57
PRSI calculated @ 6% (250/74 x 6)	€ 20.27
Grossed up Value of Gift Voucher	€337.84
Employers PRSI @ 10.75% (337.84 x 10.75%)	€ 36.32
Total Cost to Employer	€374.16

The benefit to employers in paying a €250 bonus by Gift Voucher rather than cash can be seen in the example below.

### Bonus of €250 paid in cash

Cash per employee	€250.00
PAYE (at higher rate)	€201.93
PRSI (employees)	€ 28.85
Total	€480.78
PRSI (employers)	€ 51.66

### Bonus of €250 paid by gift voucher

Gift Voucher Value	€250
PAYE	nil
PRSI	nil
Total	€250
PRSI (employers)	nil

Total Cost to Employer	€ 532.45	Total Cost to Employer	€250
Net Benefit to employee	€250.00	Net Benefit to employee	€250

“We have seen a serious curtailment in the amounts companies provide to staff as bonuses and incentives since the changes in the 2003 Finance Act which all but eliminated any financial benefit to paying staff non-cash bonuses or incentives,” said Michael Dawson.

“Many of the companies that we deal with had changed to paying bonuses in cash which resulted in employees receiving a much smaller take-home bonus that had no real ‘trophy value’ and, therefore, no great incentive value. We do not expect to see a return of the pre-2003 budget BIK allowances where some employees received concessions of up to €6,000 in non-cash bonuses. However, both employer and employee groups will welcome this latest initiative as more equitable and a concession that is within a range that all employees can take advantage of,” he added.

Savings to companies by availing of	42% Rate	20% Rate
Small Benefit Exemption	€282	€124
20 employees	€5,649	€2,483
50 employees	€14,122	€6,208
100 employees	€28,245	€12,416
250 employees	€70,612	€31,040
500 employees	€141,225	€62,080
1000 employees	€282,450	€124,160
5000 employees	€706,125	€310,400

N.B. The above examples are for practical guidance and are not intended to provide a full legal or tax interpretation of the legislation involved.

The Gift Voucher Shop’s corporate sales division specialises in the consultation, management and fulfilment of employee incentive programmes for many leading Irish companies.

**You can get your Christmas shopping done in one sweep**

ENDS

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**Note to Editors:**

The Gift Voucher Shop Ltd.

Established in September 2002 by entrepreneur Michael Dawson, the company provides the most comprehensive range of Gift Vouchers available in the Irish market. FEXCO, the Kerry, Ireland-based global payments company holds a majority shareholding in the company. More than 550 of Ireland’s top businesses with over 3,500 outlets across the 32 counties sell their gift vouchers through the Gift Voucher Shop service. Leading stores such as Argos, Brown Thomas, Smyths Toys and Arnotts benefit from the service’s unique

distribution system.

The company entered a strategic distribution partnership with An Post to sell its Gift Vouchers through 1,000 Post Offices nationwide in addition to its online shop, [www.giftvouchershop.ie](http://www.giftvouchershop.ie), and its call centre service. The Post Office channel gives the company a unique national distribution capability unmatched in the Gift Voucher market.

In November 2004 The Gift Voucher Shop announced a strategic alliance with Maltapost which is providing a new gift voucher service, the One4all gift voucher, throughout Malta and Gozo.

## FEXCO

FEXCO is a global payments company headquartered in Kerry, Ireland with operations in the Ireland, UK, Spain, Scandinavia, Malta, Australia and USA. The company was established in 1981 by its Executive Chairman, Brian McCarthy, and offers a range of Global Consumer Payments, Global Corporate Payments and Business Services. The company is privately owned with USA-based First Data Corporation, the world's leading payment processor, holding a minority shareholding in the business.