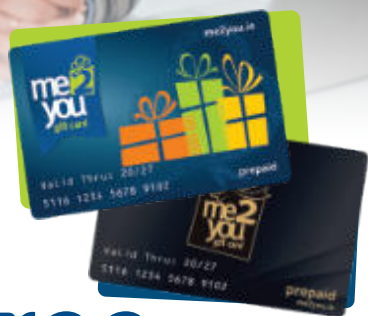


me2you.ie

# Small Benefit Exemption Scheme

## A QUICK GUIDE



# Reward up to **€1000 tax-free**

This means a **saving of up to €1313**  
per employee each year.

# Small Benefit Exemption Scheme

## A QUICK GUIDE

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Safe and secure, a  
MasterCard product

No Set Up Fees



The Me2You gift card is issued by Paynovate SA.

## Small Benefit Exemption Scheme An Introduction

The Small Benefit Exemption Scheme is one of the most tax-efficient and welcomed ways to recognise and reward employees. The Scheme is exempt from BIK (benefit in kind tax) and as of 2022, the tax-free threshold has been doubled to € 1,000.

The Small Benefit scheme reward is free of employee PAYE Income Tax, USC and PRSI, and it does not attract any Employer PRSI. With potential savings of up to €1,313 per employee every year.

Employees love the Scheme, who doesn't like to be rewarded with the choice of over 7,000 great Irish stores, restaurants, hotels and experiences. Participating in the Me2You gift card recipients can truly live the spirit of the scheme rewarding themselves with large and small treats as well as the practicalities as they wish.



## 1 The 1,2,3 of the scheme

Three golden rules to remain compliant and get the best from the Small Benefit Exemption Scheme.

**Cash Free.** The scheme specifically prohibits the rewarding of cash or rewards in a form that can be easily converted to cash. This usually means vouchers and the restrictions they bring. Using a nationwide multistore gift card such as the Me2You gift card gives your employees the gift card with over 7,000 great Irish stores including over 1,000 exclusive stores.

**Up to € 1,000 p.a.** Employees can be rewarded up to a maximum of €1,000 each year in up to two instalments in any value combination you see fit. Talk to us about how we can help you get the best from the scheme at [sales@me2you.ie](mailto:sales@me2you.ie) or +353 1 554 2000.

**Not Part of Pay.** The reward scheme is just that an additional reward, it is not part of core pay and may not be used as a substitute for salary a pay rise or pay for additional duties. Typically, the scheme is used for rewards and replaces traditional gratuities such as "Christmas bonus" cash gifts. The Me2You Business Order System and the Me2You Reward Manager helps you keep track of employee incentives, remain compliant and get the best from the available tax incentives.

## 2 Double the benefit!

Enhancements to the scheme..

Budget 2023 (Delivered Oct 2022)

The total reward amount doubled, from €500 per employee p.a. to €1,000 greatly increasing the potential tax benefits to €1,313 per employee per year.

Employees can now be issued with up to two rewards each year, with a combined total value up to the new €1,000 threshold.

These changes bring greater flexibility to employers and employees, together with over 7,000 Irish retailers, hotels restaurants and experiences the Me2You gift card brings additional choice and flexibility to employees. The Me2You Business Order System and the Me2You Rewards Manager System provide additional flexibility to easily maximize the benefits of the scheme in a compliant way.



# Small Benefit Exemption Scheme

## A QUICK GUIDE



### Reward paid with Me2You Gift Card



Reward Value	€	1,000.00
Income Tax @ 40%	€	-
USC @ 8%	€	-
PRSI @ 4%	€	-

#### Income Taxes paid by employer

Taxes paid by employee	€	-
<b>Net Reward (Received by employee)</b>	€	<b>1,000.00</b>
Employer PRSI @ 11.05%	€	-

<b>Total Cost to Employer</b>	€	<b>1,000.00</b>
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employee on higher tax band (2023)

### Net reward paid through payroll

Where employee on higher tax band takes home €1,000 (2023)



Reward Value	€	1,000.00
Income Tax @ 40%	€	833.33
USC @ 8%	€	166.67
PRSI @ 4%	€	83.33

#### Income Taxes paid by employer

Taxes paid by employer	€	1,083.33
<b>Net Reward (Employer)</b>	€	<b>1,000.00</b>
Employer PRSI @ 11.05%	€	230.21

<b>Total Cost to Employer</b>	€	<b>2,313.54</b>
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### Gross reward paid through payroll

Where an employer gives a benefit of €1,000 but puts it through payroll for employee on higher tax bands (2023)



Gross Reward Value	€	1,000.00
Income Tax @ 40%	€	400.00
USC @ 8%	€	80.00
PRSI @ 4%	€	40.00

#### Income Taxes paid by employee

Taxes paid by employee	€	520.00
<b>Net Reward (Received by employee)</b>	€	<b>480.00</b>
Employer PRSI @ 11.05%	€	110.50

<b>Total Cost to Employer</b>	€	<b>1,110.50</b>
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## 3 The Benefits are Clear"? €1,313 tax savings per employee.

Tax savings for businesses that reward their staff with Me2You Gift Cards will vary depending on the Tax Band your employees fall under, however you can use the table below to estimate the tax saving for your business:

### Tax Saving Calculator

Employees	20	50	100	300	500
<b>Savings</b>	<b>€ 26,270</b>	<b>€ 65,677</b>	<b>€ 131,354</b>	<b>€ 394,062</b>	<b>€ 656,770</b>

#### Tax-Savings Calculations based on:

- Budget 2023
- Based on the maximum €1,000 per employee under the Small Benefit incentive Scheme
- Based on a tax rate for a single employee with normal allowances and credits on the higher rate of income tax of 40%



## 4 Revenue and Tax Returns

**Simplicity is key.** One of the best things for employees and employers alike is the simplicity of the of the small benefit scheme. For employers, there are no payroll adjustments required, you simply receive an invoice and treat it as any other business expense.

For employees, there is no need to include the benefit received in any revenue returns.

Currently, there is only a requirement for Irish companies to maintain relevant invoices and demonstrate that the amounts dispensed don't exceed € 1,000 per employee at the time. However, it is recommended that companies maintain a record of employees rewarded and the amounts received.

### Enhanced Reporting Requirements (ERR) 1<sup>st</sup> Jan 2024

Finance Act 2022 introduced a requirement mandating that employers notify Revenue of certain payments made to employees and directors, known as 'reportable benefits'. The target implementation date is 1 January 2024.

#### Reportable Benefits:

- Small Benefits;
- Remote Working Daily Allowance
- Travel and Subsistence.

Employers must report the details of the Small Benefit in real time through a Revenue Online Service (ROS) facility.

## 5 Who is eligible?

As we all know not everyone works the same way and not everyone is employed the same way. Naturally, some questions of eligibility arise. While we recommend that you seek independent tax advice, we have some quick tips for you.

**Company Directors,** Self-Employed, Contractors and Part Time Workers. Generally, all of the above can benefit from the scheme so long as they are ordinarily paid through payroll and are subject to PAYE, PRSI and USC.

#### Proprietary Director.

Ordinarily yes, so long as they are in paid employment at the company. However, as proprietary directors are classified as self-employed for PRSI the overall tax savings may be less (currently 10.05% less) than for other non-proprietary directors or employees.

**Salaried Director.** Yes, salaried directors qualify for the scheme as they are paid through the payroll.

**A director who receives Director's Fees.** If they are paid through payroll, then yes they qualify.

#### Non-executive directors who receive Dividend Income.

These directors may not be eligible although they are not specifically excluded, Directors who receive a dividend payment may not fulfil the normal conditions to be considered an employee. We recommend that you seek independent tax advice.

**Unpaid Directors.** Generally, no, unpaid directors are not paid through payroll and therefore are not eligible for the scheme.





### 4 Who is eligible?

**Self-Employed.** If employees receive "Schedule E Income" from their company on which they pay PAYE and USC, as there is no employer PRSI for self-employed workers the tax benefit will be less (currently 10.05% less).

**Sole Traders.** No, as they are not in receipt of "Schedule E Income".

**Contractors.** It depends on how they are paid. If they are paid through payroll, then yes. If not, they fall into one of the other categories and it will

depend on their circumstances however generally you will not be issuing gift cards to contractors if they are not on the payroll.

**Part-Time Employees.** If they are paid through the payroll then yes, there are no minimum earnings or hours restrictions in the scheme.

**Northern Ireland and UK employees.** Not unless they are paid through ROI payroll and pay ROI tax to revenue.

## 6 Why use the "Small Benefits Scheme".

In addition to the € 1,313 tax savings per employee, there are numerous additional benefits to engaging and rewarding employees through the small benefit exemption scheme.

Employees value gifts over pay, which sounds strange, but research shows that employees value a gift over the residual cash through payroll. Apart from the employee receiving the full gross amount of the award, employees value the act of giving and receiving. With the Me2You nationwide multistore gift card employees can treat themselves and loved ones with the flexibility of thousands of Irish stores and experiences from luxury indulgence to everyday essentials.

The small benefit scheme can be used in addition to and in conjunction with other incentive schemes such as the popular cycle 2 work and long service schemes.

Rewards and engagement programmes, incentivise and motivate employees, promoting a positive working environment and engagement.

Teamwork is good work. The Me2You Rewards Manager system assists ongoing engagement and recognition. The system groups all the rewards and issues them as a single card under the SBE. Me2You enables companies to encourage recognition and engagement, it's a great way to get camaraderie and teamwork flowing in the workplace.

### Recognition and Rewards is packed with powerful features such as:

- Simple, user-friendly system – all rewards in one place!
- Budgetary Management & Control.
- Multi-level access rights – providing oversight, control & reporting.
- Peer-to-peer reward nomination function.
- Rewards can be locked.
- Tax Reports – Ensures Tax compliance & saves time collating reports.

## 7 FAQs about the "Small Benefits Scheme".

**As an employee do I have to make a revenue return when receiving a Me2You gift card under the scheme?** There is **NO** need to make any additional revenue returns.

**How often can I reward an employee under the scheme?** Up to **TWO** individual rewards per year totalling up to € 1,000 per year. If you reward an employee with an additional reward the company will be liable for the full tax implications on the amount of the additional award.

**As an employer do I need to file additional returns?** **NO**, it is currently sufficient to demonstrate that the total amount awarded is less than € 1,000 per employee in a given year. From the 1<sup>st</sup> of January 2024 enhanced reporting

requirements will be required and all employers will be required to report the details of the Small Benefit in real time through a Revenue Online Service (ROS) facility.

**Can I use the scheme for other rewards?** **YES**, the small benefit rewards scheme is ideal as a tax-efficient reward for; long service rewards, (subject to conditions) and can be used in conjunction with the Me2You Recognition and Rewards Manager to run internal schemes such as peer-to-peer nominations and referral rewards.

**Can I use a Gift Card for Industrial Relations?** **YES**, there is a trend towards incorporating tax-free rewards in industrial relations agreements. The Me2You gift

card is an Irish-owned, Guaranteed Irish gift card, in partnership with SIPTU's Supporting Quality scheme, Best Places to Work, Retail Excellence Ireland and ISMI and is an ideal tool in reaching tax efficient labour agreements.

**Year-Round Use?** Twice a year may not always be sufficient for year-round employee engagement and recognition. With the Me2You Recognition and Rewards Manager, you can engage and incentivise your employees in numerous year-round rewards programmes.

**Can I carry over a non-rewarded balance?** **NO**, If you have not rewarded the maximum award to an employee in a year (€ 1,000) you cannot carry forward any balance. The clock and balance are effectively reset on January 1st.





# The Irish Gift Card of Choice

Order online [me2you.ie](http://me2you.ie)  
[sales@me2you.ie](mailto:sales@me2you.ie)  
or call 01 55 42 000

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# me2you gift card

Me2You in association with.



**Disclaimer.** The information in this document in no way forms a part of a contract or offer. Me2You is not a tax advisor and recommends that all companies seek independent tax advice before engaging in any rewards or incentive scheme.

The Me2You gift card is issued by Paynovate SA. Paynovate SA is an e-money issuer regulated by the National Bank of Belgium. Paynovate SA is registered with the Banque-Carrefour des Entreprises under number BE0506 763 929.