

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 ("TCA") 1997 where an employer provides a qualifying incentive (see [paragraph 2](#) below) to an employee. This measure is commonly referred to as the "small benefit exemption". The purpose of this manual is to outline the conditions and requirements associated with the small benefit exemption, including definitions, concessional treatment, employer obligations and practical examples.

Generally, where an employer provides a qualifying incentive (e.g., 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.

Since 1 January 2024, an employer is 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

From 1 January 2025¹, employers can provide up to five qualifying incentives to an employee in any tax year, with a cumulative annual value not exceeding €1,500. [Paragraph 2.1](#) outlines the number and value of the incentives that qualify under the small benefit exemption prior to 1 January 2025.

From 1 January 2025, a "**qualifying incentive**" means a "**relevant incentive**" that is the first, second, third, fourth, or fifth 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 €1,500,
- (b) in the case of a second relevant incentive, the cumulative value of the first and second relevant incentives does not exceed €1,500,
- (c) in the case of a third relevant incentive, the cumulative value of the first, second and third relevant incentives does not exceed €1,500,
- (d) in the case of a fourth relevant incentive, the cumulative value of the first, second, third and fourth relevant incentives does not exceed €1,500, and
- (e) in the case of a fifth relevant incentive, the cumulative value of the first, second, third, fourth and fifth relevant incentives does not exceed €1,500.

¹ Section 8 Finance Act 2024 amended the definition of "qualifying incentive" as provided for by section 112B TCA 1997, effective from 1 January 2025.

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.

A **“benefit”** means a tangible asset other than cash.

A **“salary sacrifice arrangement”** means any arrangement under which an employee forgoes the right to receive any part of his or her remuneration due under his or her terms or contract of employment and in return his or her employer agrees to provide him or her with a relevant incentive. Detailed guidance in regard to salary sacrifice arrangements is available in Tax and Duty Manual [Part 05-01-01k](#).

Where **all** of the conditions of section 112B TCA 1997 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 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 any of the first five benefits 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.

Note: An employer may incur minor fees or postage charges when they are providing vouchers to their employees. This nominal cost is not added to the face value of the voucher when determining whether the small benefit exemption threshold has been exceeded.

However, where the conditions of the small benefit exemption are not met, these costs must be included as part of the value of the voucher in determining the amount to which a charge to tax applies. See paragraph 2.5 of 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.

2.1 Summary of exemption limits

The table below summarises the number and value of the incentives pertaining to the small benefit exemption:

| Year of assessment | Maximum number of incentives | Cumulative value limit € |
|--|-------------------------------------|-------------------------------------|
| 1 January 2025 to 31 December 2029 ² | 5 | 1,500 |
| 1 January 2022 to 31 December 2024 | 2 | 1,000 |
| 1 January 2020 to 31 December 2021 | 2 ³ | 500 |
| 22 October 2015 to 31 December 2019 | 1 | 500 |

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.

² Section 8 Finance Act 2024 inserted section 112B(3) into the TCA 1997, which provides that the small benefit exemption will apply until the end of the year of assessment 2029.

³ A COVID concession allowed two benefits. See [paragraph 3](#) for further details.

4 Returns by Employers in Relation to Reportable Benefits

Section 897C TCA 1997 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 2024 issues 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 2024.

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. As such, Philip's employer provides the voucher to him and no tax charge arises.

In line with ERR, as outlined in [paragraph 4](#) above, the employer reports the date and value of the benefit to Revenue in real time, on or before the voucher is granted to Philip.

Example 2

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 2024 Marina agreed to the following changes in her terms of employment:

- Marina's salary will be reduced to €90,000, 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. As such, the voucher was part of a salary sacrifice arrangement and will therefore not qualify for the small benefit exemption.

Marina's employer is required to operate IT, USC and PRSI on the cost of providing the voucher.

Example 3

Brenda is dismissed from her employment in January 2025. She brings 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 cost of providing the voucher, as the small benefit exemption does not apply in this case.

Example 4

Noel's employer provides him with a gift card valued at €400 when the company reached its financial targets in June 2024. 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 cost of providing the gift card. This is the case irrespective of the fact that Noel might not actually use the card to withdraw cash.

Example 5

Denis receives a long service award in June 2024 from his employer having completed 20 years of service. The award is a Waterford crystal bowl with a value of €500. In December 2024 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 2024 will be his first relevant incentive in 2024 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 8 years of service, then the bowl valued at €500 would not qualify for the long service Revenue practice, as Denis has completed less than 20 years of service. Where it met the conditions of section 112B, it would constitute his first relevant incentive in 2024.

As the voucher granted to Denis in December 2024 is for €1,000, the cumulative value of the first and second relevant incentive is in excess of €1,000 limit that applied for the 2024 year of assessment. 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.

The details of the incentive granted in June are required to be reported in real time under ERR.

Example 6

During 2025 David receives the following benefits from his employer:

- a hamper at Easter valued at €500, and
- a voucher at Christmas worth €900.

As the cumulative value of both incentives does not exceed the monetary limit of €1,500 and on the basis that the other conditions of section 112B TCA 1997 are met, the small benefit exemption will apply to both incentives. As outlined in [paragraph 4](#) above, the employer is required to report each of these benefits to Revenue in real time.

Example 7

Joe works for a large IT software company. In 2025 he receives a number of benefits from his employer, as follows:

- a voucher for €250 in January,
- an Easter egg worth €75 in April,
- a holiday voucher for €400 in June 2025,
- a voucher with a value of €600 in December 2025, and
- for Christmas 2025, as a reward for their efforts, Joe and four colleagues are brought out for a celebratory meal by members of the senior management team. The cost per head for the meal including drinks is €150.

As the total number of benefits Joe receives in 2025 is five, and the cumulative value of the benefits is €1,475, the small benefit exemption applies and Joe has no liability to IT, USC or PRSI for receiving these benefits. As outlined in [paragraph 4](#) above, the employer is required to report each of these benefits to Revenue in real time.

Example 8

Mary receives six vouchers, that cannot be redeemed for cash, worth €200 each, in 2025.

Vouchers one to five inclusive qualify for exemption under the SBE, as the cumulative value does not €1,500.

Voucher six does not qualify as the maximum number of five incentives in the relevant tax year is exceeded. The cost to the employer of providing voucher six will be subject to IT, USC and PRSI.

As outlined in [paragraph 4](#) above, the employer is required to report the benefit to Revenue in real time.