

KEEPING IN TOUCH

THE NEWSLETTER OF RICHARD GROGAN & ASSOCIATES SOLICITORS

Revenue's tax/allowance for long service awards

The issue of long service awards "LSA" is sometimes overlooked by employer's as an opportunity to recognise an employee for their service to their employer.

Generally employers are entitled to make a small benefit tax relief gift to employee's each year. The annual tax allowance applies to gifts or vouchers up to a value of €250. This benefit cannot be in cash. The tax relief on long service awards LSA is separate. It is in addition to the small benefit tax relief.

Employees with long service are allowed a tax free tangible gift up to a maximum of €50 for each year of service starting at 20 years of service and every 5 years thereafter.

Therefore an employee with 20 years' service can receive a benefit of up to €1,000. An employee with 35 years' service can receive an award up to €1,750.

The Revenue website addresses this issue. It provides where awards are made to directors or other employees as testimonials to mark long service, such awards are normally taxable. Where however an award takes the form of tangible articles of reasonable cost tax should be charged provided:

1. The cost to the employee does not exceed a certain level for each year of service with effect from 1st of January 2002, an article may be taken to be of reasonable cost for the purposes of this concession where the cost to the employer does not exceed €50 for each year of service.
2. The award is in respect of a period of service of not less than 20 years.
3. No similar award has been made to the recipient within the previous 5 years.

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The definition of tangible articles refers to awards given in the form of other than vouchers, bonds or cash. Unlike the annual tax allowance where vouchers are allowed vouchers are not allowed in the cases of long service awards. A long service award which would qualify would be an item like a gold watch, a piece of jewellery, a set of golf clubs or virtually anything that is a tangible article. It is possible under the current rules to give an employee a benefit every 5 years after they have served the employer for 20 years. Therefore an employee will receive the benefit now of up to €1,000 after 20 years' service can receive a tangible asset valued up to €1,250 after 25 years and a further €1,500 after 30 years rising to €1,700 after 35 years.

While the allowance may not seem generous it is still a tangible benefit. Where an employee is on the top rate of tax who receives a benefit of up to €1,000 the real benefit to that person is equivalent to a figure in excess of €2,000 in salary. The annual tax allowance and the long service award allowance are benefits which employers sometimes fail to take advantage of as a method of recognizing employees.

Before acting or refraining from acting on anything contained in this publication appropriate professional legal advice from a Solicitor should always be obtained.