

Contractor Doctor: Can I give myself a tax-free long service award?

Dear Contractor Doctor,

I noticed in a recent communication from HMRC that long serving workers can qualify for tax free awards at significant points during their careers.

I have been contracting through my own limited company, of which I am a director, for over twenty years now.

Does this mean I can give myself an award for long service to my company?

Thanks

Bill Anderson

Contractor Doctor says:

It is a feature of many businesses, from global corporates to small businesses, to reward long serving workers. And according to Phil Richards of accountants [Blevins Franks](#), [HMRC's rules governing long service awards](#) are no different for contractors working for their own [limited companies](#).

"Once a contractor has reached a minimum of 20 years continuous service to their company, they qualify for a tax free long service award," explains Richards, "and this includes contractors who are also directors of the company."

This could be a bonus for the many contractors who started their contracting careers during the boom years of the 1980s, and of course in many sectors like engineering, the contracting lifestyle has been the norm for half a century.

No cash

However, as Richards points out, the award cannot be in cash, vouchers or a credit note if it is to remain tax free: "The payment must be in a form other than money, including moveable property such as the classic brass clock, shares in the company giving the award, a holiday, a gift and so on."

The cash exclusion also extends to National Savings Certificates, premium bonds, securities like bonds and shares in companies other than the contractor's own.

And if the tax free exemption is to apply, says Richards, the taxable amount should not be more than £50 for every year of service, from a minimum of 20 years.

"That means a contractor with 20 years continuous service to their limited company could buy themselves a non-cash award up to the value of £1,000 tax free," continues Richards. "But the difference between any sum spent in excess of the allowance and the allowance itself is taxable."

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Phil Richards, Blevins Franks

Multiple awards

After 20 years of service, contractors can go on awarding themselves for long service in subsequent years such as their 30th, 40th and 50th and the same rules apply.

"The tax-free allowance remains at £50 per year of continuous service, so if the contractor receives a £1,000 holiday paid for tax free by their company after 20 years," explains Richards, "they could choose a present worth £500, bought tax free for them by their company after 30 years."

So, it appears that a long career in contracting can provide a nice surprise for contractors who have been in the business a long time.

Good luck with your contracting!

Contractor Doctor

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