



The  
University  
Of  
Sheffield.

## Department of Finance Advice note for Departments

### Guidance on ... the purchase of competition prizes, incentives, or compensation for participation in research projects, and gifts

This note provides guidance on the use of University funds to purchase prizes to be awarded as a result of a competition, or gifts to be purchased for staff, students or individuals external to the University. This guidance applies to purchases made from any type of uBASE project account or cost centre.

#### Prizes for competitions

It is acknowledged that occasionally University Departments will organise competitions or surveys/questionnaires and need to make a prize available as part of attracting people to take part or as a recognition of their contribution to a competition. In all cases, where University funds are being used to purchase the prize(s), it must be clear that the competition, event or survey/questionnaire relates to, or is in support of, University Teaching, Research or Knowledge Transfer activity. For example, a prize to be awarded for completing a survey about the services of a Professional Services Department or a prize for the best student film about their time studying at this University.

Prizes can be in the form of actual goods or vouchers that are redeemable with certain outlets or on-line sellers (eg Amazon). However, because the prize will either be intrinsically attractive, valuable or have a direct cash equivalent (eg £25 gift voucher) the following procedures must be followed in the management and safekeeping of such prizes.

- 1) A description of the prize(s) and the exact value of any vouchers must be highlighted in the information about the competition or survey/questionnaire.
- 2) How and when the prize winner(s) will be selected will be also made transparent. eg Judged by whom or selected at random by whom and using what method.
- 3) Prizes must not be used to recompense for any work completed or services undertaken other than the entry of the stated competition or completing the required survey/questionnaire.
- 4) The manufacturer of any prize or supplier of any vouchers must not be overtly endorsed or promoted as part of competition/activity.
- 5) If any organisation has donated a prize (goods or vouchers) there must be no obligation to advertise their name/product or provide that organisation with any results or outputs from the competition or survey/questionnaire. However, it is acceptable to acknowledge the name of the organisation making the donation in any communication relating to the competition.
- 6) Departments should record the safekeeping and ultimately the award of any prizes to the recipients. Including where the prizes are stored, what value of vouchers were purchased and the names of the prize winners including whether they are staff, students or people external to the University. Recipients should sign to confirm receipt of the prize wherever possible or submit an email acknowledgement.

- 7) Purchase of prizes via uBASE will ensure a segregation of duties however where a “stock” of vouchers is acquired, a separate member of staff will be responsible for keeping an administrative record of the deployment of the stock from the person responsible for ordering.
- 8) Further advice on setting up a control system for Gift Vouchers is available upon request.

### **Incentives/compensation for participation in research projects**

There are some research projects that require the participation of individuals as volunteers or study subjects. As a result of the nature of the project, the building location in which it is being conducted or the amount of time that a person will be involved, there is sometimes the need to offer an incentive or compensation to people for their participation. The incentive/compensation can be made in cash or vouchers however the guidance below in relation to Tax matters must be followed carefully.

### **Tax matters in relation to prizes and incentives or compensation for participation in research projects**

There is a possibility that awards, prizes or incentives will be subject to income tax in the hands of the recipient. Rules on the use of vouchers are particularly strict.

As a general rule of thumb, prizes awarded for reasons **other than** an individual’s University employment, whether in cash, vouchers or as a gift, should not be taxable if given to a member of staff. (This test is not, for example, met if the University rewards staff with a gift to recognise good service. This is seen as related to the employment and is subject to income tax and NIC.)

HMRC has agreed that vouchers and payments made to encourage or compensate for participation in research projects will be exempt from tax provided the amount does no more than meet travel costs incurred and provide reasonable compensation for any inconvenience or time spent.

If the reason for giving vouchers or incentives or taking part in a research project is simply that the individual is an employee of the University, any amount will be taxed on the individual as noted above.

### **Purchase of gifts**

Information in relation to the purchase of gifts already exists in the Financial Regulations, Staff Fees, Expenses and Benefits procedures manual and the Finance Advice Note on organising a collection for a member of staff who is leaving or retiring. Links to this information are shown below.

As with the purchase of prizes, the key guidance to staff is to ensure that there is evidence in relation to the circumstances resulting in the need to purchase a gift or gifts. It must be evident and transparent that, from the value of the gift(s) being purchased, we are not using the purchase to initially avoid any Tax or National Insurance implications and we are not in effect recompensing for work done or trying to influence decision making.

### **Tax matters in relation to gifts**

Gifts costing over £50.00 create VAT reporting requirements for the University and must be notified to the Tax Team at an early stage to monitor this.

Gifts may also be taxable on the recipient – whether a University employee or not – if the nature, or amount, of the gift does not meet the conditions set out in the University’s Financial Regulations with income tax and NIC charged through payroll.

Where a gift does not meet the Financial Regulations the Tax Team must be contacted before purchasing the gift to confirm the VAT and tax treatment.

Links to:

- [Financial Regulations on Inducements, Bribery, Fraud and Corruption](#)
- [Staff Fees, Expenses and Benefits procedures manual](#)  
(See paragraphs 86-87 in relation to Gifts)
- [Finance Advice Note in relation to organising a collection for a member of Staff](#)

### **Other areas related to prizes and gifts**

This note does **NOT** cover guidance on the official University prizes and awards which are detailed in the [University Calendar](#). If you do need information about establishing a prize or a scholarship (or adding to an existing prize/scholarship fund), please contact the [Director of Development](#) in the Development & Alumni Relations Office for more information.

Information about University Scholarships is **NOT** covered by this note but is available from the [Student Services website](#).

### **What else to consider**

Please contact the [Tax Team](#) before you consider giving a prize or incentive and before making gifts as the tax issues are often complex and we can assist with the planning and costing of these events.

Project accounts and cost centres – contact the Assistant Finance Manager for your [Academic Department](#) or [Professional Services Department](#).

[Guidance on paying in income](#).