

TAX-FREE BENEFITS FOR EMPLOYERS and EMPLOYEES

Introduction

Tax-free benefits in kind (or “perks”) can be used to incentivise your staff in a tax-efficient way. If you don’t already provide any or some that are listed, you may want to consider them as part of a salary sacrifice scheme.

Can you give me some examples?

There are many examples of benefits that can be provided to employees free of tax and National Insurance, provided that the relevant conditions are met.

Here is a list of some of the more common ones:

1. Mileage allowance payments of up to 45p per mile for the first 10,000 miles of business travel (not including normal commuting), and 25p per mile thereafter
2. Private use of one mobile phone
3. A bicycle and safety equipment
4. Incidental overnight expenses when travelling on business up to £5 per night in the UK and £10 per night outside the UK
5. Annual parties and functions up to a total annual cost of £150 per employee
6. "Trivial" gifts
7. Free vehicle parking at or near a place of work
8. Interest-free loans of up to £5k
9. Employer contributions to the company’s, or the employee’s own, pension scheme
10. Recreational benefits, provided they are not generally used by the public and the right to use them is by reason of the employment
11. Childcare vouchers, up to a maximum of £55 per week, or the use of an exclusive workplace nursery
12. Training and course fees
13. £3 per week for home working, provided the amount of home working can justify the payment
14. Medical and optical check-ups
15. A pool car, that is, a car which is picked up from the main workplace in the morning and returned to the workplace at night and which is available to, and used by, more than one employee
16. A van for commuting, that is, where the only private use is for commuting from home to work
17. A personal number plate.

What about ‘salary sacrifice’?

Some of the benefits detailed above can be provided to employees in tax-effective way using a ‘salary sacrifice’ scheme. Under the scheme, employees give up the right to part of the cash pay due under their contracts of employment, in return for some form of non-cash benefit. If structured correctly, the cost of National Insurance contributions can be significantly reduced for both employer and employees.

Various conditions must be met for such a scheme to be effective and employees will of course need to be aware of the effects of the scheme on other areas of their finances, for instance, tax credits, state pension provision and the ability to borrow money.

If you have any questions about the issues covered in this update or if you would like to discuss anything in more detail, we are here to help. Contact us on 01856 872983 or by e:mail at enquiries@ajbscholes.co.uk.