



Tax Saving Benefits for Your Employees

Competitive salaries, benefits and culture play a key role in retaining employees.

Here we discuss the benefits that can save your employees tax. Although, remember, the savings delivered to your employees through these initiatives are only savings if your employees want the benefit. We advise you get the opinion of your employees before implementing any of these suggestions.

Salary Sacrifice

These are one of the most popular ways you can support your employees. These schemes involve your employees exchanging a proportion of pay to receive a non-cash benefit instead.

Advantage

Employees 'sacrifice' a proportion of pay for these benefits, lowering their overall salary and therefore the tax and National Insurance they are liable for.

Also, you will not have to pay Employers' National Insurance Contributions to the salary 'sacrificed' by your employee. It is up to you whether you keep this saving or pass it on to your employees.

Benefits include:

- Child Care Vouchers
- Company Car
- Additional Pension Contributions
- Technology, such as iPads
- Training/ Education
- Buying Annual Leave
- Cycle to Work Schemes

Share Schemes

You can help attract and retain your key employees through a tax favoured scheme, such as an Enterprise Management Incentive (EMI).

An EMI scheme gives employees the option to purchase shares within the company. Employees would normally buy shares at the market value on options that are first offered (grant). Employees can then profit from any growth in the company when they sell their shares after a period of time, determine by you.

Advantage

The EMI scheme offers several advantages to your key employees:

- Relief on Income Tax and National Insurance on shares up to the value of £250,000
- The only tax the employee will be liable to pay is CGT on any profit once the shares are sold. This will be charged at the Entrepreneur's Relief rate of 10%
- An employee can use their annual CGT exemption allowing them to save further



Loans for Travel Season Tickets

There are several ways you can support employees with their travel arrangements. You may reimburse the cost, provide a season ticket as part of your benefits package, arrange a salary sacrifice scheme or provide a loan to your employees.

Advantage

Employers can offer interest-free loans up to £10,000 to individual employees. These season ticket loans are completely 'tax free' meaning they do not affect the taxable income of your employees one way or another. The benefit is just that employees can spread the cost of an annual ticket across the year instead of paying for more expensive, monthly tickets.

Staff Suggestion Scheme

One way to reward your employees and improve the efficiency of your business is to award your employees for suggestions that benefit your business. Suggestion Schemes have been around for years, the key is to encourage your employees to use them. They are also a great indicator of which employees are engaged with your agency.

There are two kinds of awards approved by HMRC:

- Encouragement Awards – for good suggestions, or to reward employees for special effort
- Financial Benefit Awards – for suggestions that will save or make your business money

Advantage

Encouragement Awards are exempt from Tax and National Insurance up to £25 and Financial Benefit Awards are exempt up to £5,000.

Note, to qualify for the tax savings:

- The scheme must be open to all employees
- The suggestion your employees make must not be part of their normal work
- The suggestion can't be made at a meeting proposing new ideas

These are just a few suggestions of the benefits you can deliver to your employees to reduce the tax both you and they are liable for. For further information on any of these, contact Raffingers' Partner, Lee Manning at lee.manning@raffingers.co.uk.