

TIP OF THE MONTH - CAN'T AFFORD PAY RISES? LET THE TAXMAN PAY!

We are all aware that average pay rises are minimal right now, and have tended to be less than inflation. Responsible businesses have to contain or reduce costs, but it may be possible to give staff more at little or no cost to the employer.

A galaxy of savings



Here's one we found under the Blackberry bush
 Employee phone perk
 Salary Sacrifice

- Mobile phones provided by the employer can be used by the employee privately without any tax effect. This is particularly useful for staff that chase the latest gadgets, although the contract must be with the company and you have to be careful with smart phones, which may be classified as computers (but see below); we will be happy to explain the detail.

- If an employee is paying or going to pay for childcare, vouchers for up to £55 per week can be supplied tax-free, and again we have an illustrative flyer which shows how the employer can benefit an employee by nearly £1,000 and save £400 per year in the process (this system is changing, so the saving isn't for ever).
- Paying pension contributions instead of salary saves the employer money, and can be very tax efficient using "salary sacrifice" ... and yes, we have an illustration we can send!



Salary exchange (salary sacrifice)

Pre sacrifice position			
Salary	Gross value of individual relief at source		Employer contribution
£25,000	ie. Pension contributions	£1,200	£0
	Employer NI to be given up	100%	
Change			
Salary reduction	Gross value of individual relief at source	Reduced by	Employer contribution increase
£1,200	ie. Pension contributions	£1,200	£1,200
Post sacrifice position			
Salary	Gross value of individual relief at source		Employer contributions
£23,800	ie. Pension contributions	£0	£1,200

- If employees regularly work from home, the additional cost of working can be paid tax-free to the employee and claimed as an expense by the employer; amounts over £4 per week will need to be substantiated.



Equipment such as iPads provided to employees for work purposes are tax-free so long as any private use is 'minimal'.

- Where employees use computers, eye tests and spectacles can normally be provided tax free



On Your Bike

Cycle to work scheme

- Employer owns cycle and safety equipment
- Used mainly for qualifying journeys
- Available generally
- Salary sacrifice
- Say £500 cycle for 18 months ... (then 'market value')
- £6.41 = £4.42 (£3.78) ... capital allowances/lease



- There are tax efficient forms of remuneration, such as the provision of bicycles, parking spaces, annual health checks, and so on where it costs the employer a lot less to provide a benefit to an employee than it would cost the employee if they paid for it privately. You do have to "stay between the lines", but if you do HMRC seem prepared to help pay the wages.