The Big List of Benefits

Your Guide to Offering Employee Benefits

MyAccountancyPlace

Offering Benefits

Want to provide employment benefits to your team but aren't sure of the tax implications?

If you're planning on being everybody's favourite boss by providing expenses or benefits to your employees and directors, then you need to understand how this could affect both your tax bill and those of your team.

So, before you dive in head first, here's a list of what IS and what ISN'T exempt from the eagle eyes of HMRC....

MyAccountancyPlace

Assets Bought, Sold or Given

Fancy giving that old Macbook pro to an employee? There are some rules you have to keep in mind if you do:

Rule No. 1

If an asset is sold to or given to an employee, it must be reported on a P11D and national insurance paid on the value of the benefit.

Rule No. 2

If the business buys an asset from an employee for more than its market value, the premium paid counts as additional income for the employee - and that means it has to go through the payroll and will be liable to tax and NI.

MyAccountancyPlace

Company Cars & Fuel

When's it Exempt?

Cars available for business journeys only (Journeys from home to a fixed office aren't included)

Cars adapted for an employee's disability, and the only private use is between home and work or travel to work-related training.

Cars or fuel for employees who earn less than £8,500 per year.

Any fuel - including for private journeys - if the employee pays.

Pool cars used by more than one employee for business purposes & kept on your premises.

MyAccountancyPlace

Company Cars & Fuel

When's it NOT Exempt?

If none of the five applies, you have to report the usage to HMRC and may have to pay National Insurance on the value of the benefit - so be sure you're aware of all the necessary details.



MyAccountancyPlace

Company Vans

When's it Exempt?

If used for business journeys and commuting

If used for 'insignificant' private journeys

If classed as a pool van - available for use by more than one employee, available to each employee because they need it to do their job, not normally kept at employee's home, not used by one employee to the exclusion of others, used only for business journeys

MyAccountancyPlace

Company Vans

When's it NOT Exempt?

If none of the three applies - and the employee is a director or earns over £8,500 per year - it must be reported on a P11D.



MyAccountancyPlace

Bike

When's it Exempt?

The HMRC advice is that at least 50% of the bike's use is for business, so it could be used for mountain biking in the personal 50% if they wish!

MyAccountancyPlace

Loans Provided to Employees

When's it Exempt?

Combined outstanding value to an employee of less than £10,000

If interest is changed at a rate equal or higher than HMRC's official interest rate

To employees earning at a rate of less than £8,500 per year (if they aren't directors)

Directors can borrow money from the company without any tax implications providing it is repaid within 9 month of the year end and is less than £10,000

MyAccountancyPlace

Loans Provided to Employees

When's it NOT Exempt?

If the loans you provide aren't exempt, you have to report the costs to HMRC, and deduct or pay National Insurance on them. You always have to report on loans to employees that you write off.



MyAccountancyPlace

Mobile Phones

When's it Exempt?

One phone or SIM card is exempt, however if there is more than one involved, then the aditional phones need to be reported.

MyAccountancyPlace

Assets Made Available to an Employee

When's it Exempt?

If used for business use only

Exempt if used by an employee who earns less than £8,500 per year

MyAccountancyPlace

Assets Made Available to an Employee

When's it NOT Exempt?

If neither of the two applies, it will need reporting on a P11D and national insurance may be due.



MyAccountancyPlace

Childcare

When's it Exempt?

If it is a workplace nursery, places allocated to children of employees are exempt if they meet certain conditions

Directly contracted childcare and childcare vouchers - if the employee joined your scheme before 3th April 2011, the first £55 per week of the cost to the employer is exempt. For employees who joined after this date, the exemption varies depending on the employee's income.

MyAccountancyPlace

Medical Treatment

When's it Exempt?

Once a year health screening

Eye tests, glasses and contact lenses if required by health & safety legislation for employees who use screens

Overseas medical treatment is exempt if the employee is working for you abroad

Treatment related to injuries that result from your employee's work is

Medical costs for an employee to return to work up to £500

MyAccountancyPlace

Pension Contributions

There are a few different ways to do this, with different tax implications depending on the set-up

Method 1: Deduct contribution from pay before tax is deducted, meaning they receive tax relief at th ehighest rate of tax they pay 'at source'.

MyAccountancyPlace

Pension Contributions

Method 2: Contribution taken from net pay and paid to pension provider, who then claims back basic rate tax at 20% and adds it to the employees pot. For example, if £80 is taken from net pay, the pension provider claims back a further £20 resulting in £100 in the pot. If you're a higher rate taxpayer the additional tax can be reclaimed from HMRC.

MyAccountancyPlace

Pension Contributions

Method 3: If you're paying pension contributions through a salary sacrifice arrangement agreed with your employee, they will automatically receive tax relief as the payment is treated as an employer contribution.

MyAccountancyPlace

Don't Let it Get You Down

As you can see, employee benefits can be a bit of a minefield - but you don't have to struggle alone.

Find out more about the tax implications of employee benefits by dropping us an email to hello@myaccountancyplace.co.uk or give us a call on 0161 667 9911

www.myaccountancyplace.co.uk

MyAccountancyPlace