

Salary Sacrifice Changes - 6th April 2017

What is salary sacrifice?

Many employers give staff the option to swap a part of their wage in return for a non-cash benefit. As a result of having a lower salary, employees pay less income tax and make lower National Insurance contributions. Likewise, employers save on National Insurance as this is linked to salary.

Why is salary sacrifice under threat?

The more non cash benefits provided via salary sacrifice arrangements the less tax is collected by HMRC. The extent of this lost tax is very difficult to track because firms don't have to report exactly how much tax they and their employees save but the changes are expected to result in £1bn of additional HMRC revenue over 6 years.

Which benefits are to be cut and which are to be protected from the changes?

Cut

Company cars

Work-related training

Car parking near your workplace

Gym memberships

Health screening checks

Mobile phones, Computers and tech

Additional annual leave

Will-writing services

Gadget insurance

Group Life Assurance & Group Income Protection [via Flex Benefit Scheme](#)

Professional Fees & Subs

Protected (in a bid to encourage take up)

Pension contributions (the largest cost to HMRC in this area) and Pensions advice

Childcare vouchers,

Cycle-to-work

Ultra-low emission cars (75 co2 and below)

When will changes be introduced?

6th April 2017

N.B. Any arrangements in place before this time will be protected for a year (until 5th April 2018). Long-term agreements for cars, accommodation and school fees will be protected until 5th April 2021.

Are all the tax benefits being removed from the non protected arrangements?

The Government is scrapping relief on income tax and employer NI contributions.

Employees can still save their NI.

Will the affected schemes still offer any benefits once the new rules apply?

Yes, salary exchange schemes can still to continue to offer benefits to employees such as:

- Employee NI saving
- Low cost to employee (Corporate Purchasing Power)
- Streamlined administration
- Cost deducted via payroll
- No underwriting

Actions

1. Identify the elements of your current salary sacrifice scheme that will be affected.
2. Calculate the financial impact this may have on your business.
3. Consider the psychological and financial effect the changes could have on your employees.
4. Help your team to understand the changes by being open and transparent, encouraging questions and dialogue.
5. Capitalise on the short timeframe and encourage employees to sign up to any existing salary sacrifice schemes that are popular before April 2017.
6. Consider easing financial loss by introducing other financial solutions for example voluntary benefits, where employees can make savings on everyday expenses.

If you would like to discuss these changes and the potential impact on your benefits with one of our strategic benefit consultants please contact us on 01883 332260 or at info@wingatebs.com