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NEWSLETTER
SALARY SACRIFICE FOR EMPLOYERS

SALARY SACRIFICE FOR EMPLOYERS **WHAT DO YOU NEED TO KNOW?**

Any business owner that employs staff will know that managing employees comes with a range of responsibilities. Payroll is certainly crucial and a key task all businesses with staff face each month. This involves correctly calculating each employee's monthly pay and working out the amount of NI & tax deductions to apply. It also covers reporting the relevant details to HMRC for each employee.

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Tax Advice That Helps Your Business Grow

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One thing you might have heard about before in terms of payroll is salary sacrifice for employers. But what is it and how does it work?

WHAT IS A SALARY SACRIFICE SCHEME FOR EMPLOYERS?

In simple terms, this type of scheme is an agreement that sees your employees cash pay entitlement reduced, in exchange for a non-cash benefit.

But why are these schemes so popular with employers? The main benefit is the money saved in NI contributions per month. This is because National Insurance contributions are not applied to the type of benefits this scheme usually involves. Typical examples of non-cash benefits include childcare vouchers, employer contributions to pension payments, and bikes for cycling into work.

HOW DO YOU PUT A SALARY SACRIFICE SCHEME IN PLACE?

As an employer, you can set up a scheme like this by first agreeing to the terms of it with an employee and then altering the details of their contract. It is vital to know that any salary sacrifice scheme cannot take a staff member's cash earnings under the National Minimum Wage rate.

SET A PAY SCHEDULE AMENDING THE TERMS OF A SALARY SACRIFICE SCHEME

We have mentioned above how you can set a scheme like this up for employees, but what if their circumstances change? This may be due to:

- Marriage
- Divorce
- Spouse/partner being made redundant

The good news is that salary sacrifice schemes can be amended for situations like this. This is because they allow employees to opt-out of them and then back in when possible. You must update an employee's contract each time they opt-in and out of the scheme, though. This is key because all contracts need to have full clarity on what cash and non-cash payments staff get each month. It is also worth noting that in some cases, the impact of salary sacrifice schemes could affect your employees' statutory benefits and other kinds of payments.

Become our client and remain stress free on your accounting and tax issues.

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WORKING OUT THE IMPACT ON TAX AND NICS IS CRUCIAL

You don't need an in-house accounting department to run your business' finances. On the other hand, you don't need to do it all yourself either as managing payroll takes a lot of time and resources. Let us take care of this for you, so you can work on building strong relationships with your clients and employees, and help drive your business forward. It is very important to understand the impact on both tax and National Insurance contributions payable by any employees in this scheme. In basic terms, the impact in this area rests on the cash payment and non-cash benefits that make up the scheme. As an employer, it is critical to deduct and pay the correct amount of tax/NICs for both the cash and benefit provided.

For the cash part, this means running your monthly payroll through the PAYE system. For the non-cash benefits, this requires you to work out the value of the benefit accurately. This involves calculating its value by using the following:

- Amount of salary sacrificed
- Earnings charge under 'Benefit in Kind' guidelines
- Cars with CO2 emissions 75g/km and under should be treated under the standard 'Benefit in Kind' guidelines

Non-cash benefits are not reported in the same way as cash earnings. These benefits are normally given to HMRC at the end of the tax year via an online end of year expenses/benefits form.

CONTACT TAXCARE ACCOUNTANCY FOR MORE HELP

While the above gives a brief overview of salary sacrifice schemes for employers, you might still find it confusing or need expert help to set a scheme like this up. If this is the case, get in touch with Taxcare Accountancy today. Our qualified team of professional accountants are ready and waiting to guide you through this complex part of business finance.

Positive, Proactive and Professional business Accountants.



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