

April 2017 – The End of Salary Sacrifice (Well Almost)

Today's autumn statement has confirmed that from April 2017, all benefits (with the exception of a few excluded benefits), provided under a salary sacrifice arrangement, will be taxed in the same way as cash earnings. This will result in reduced savings for both employers and employees looking to set up salary sacrifice arrangements from April 2017.

Benefits ("excluded benefits") which can continue to be provided under a salary sacrifice arrangement include

1. Cars with very low CO2 emissions;
2. Pensions;
3. Childcare vouchers; and
4. Cycles to work;

Salary sacrifice arrangements in place before April 2017 will be protected until April 2018, and arrangements for cars, accommodation and school fees will be protected until April 2021.

Employers should start to review their arrangements in advance of these changes coming in, particularly those employers that provide additional benefits via salary sacrifice. Examples of benefits commonly provided include gym memberships, smart phones, ipads and private medical cover. Options available for employers include for example

- Continuing to provide the same benefits to employees but ensuring these are taxed correctly via the payroll. The cost of continuing to operate such arrangements would need to be carefully weighed up against the benefits;

- Only provide "excluded benefits" to employees under a salary sacrifice arrangement and stop providing any other benefits. The benefit of this approach (such as reduced cost and administration) would need to be weighed up against the impact on for example employee motivation.
- Employers not currently operating salary sacrifice arrangements may wish to consider offering the above excluded benefits to employees in order to maximise savings.

Making good on non-payrolled benefits in kind - Actions required

If you are an employer that provides non-payrolled taxable benefits in kind and the employee is required to make good part or all of the amount of the benefit, it will be important to update your current policies and guidance to ensure these are in line with the new legislation to minimise the impact on your employees.

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Advising companies and individuals on UK Employment, Expatriate and Personal Taxes

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