



Waveney Tax Solutions

Payroll Tax Free Benefits in Kind

Most benefits given to employees are taxable as earnings and as such have to be reported on annual year end forms P11D and P9D. There are, however, a number of benefits that an employer can provide which are exempt from tax and National Insurance. This guide is not an exhaustive list, but it does include some of the common benefits that can be provided without coming under the benefit in kind charge.

Mobile telephone

You can provide an employee with a single mobile telephone, providing that the contract is in the name of the company and this will not be a chargeable benefit in kind. If you provide an employee with more than one mobile phone and private use is permitted on more than one handset, the employee can choose which is to be the taxable phone.

Laptops and tablets

If you need to give an employee a laptop or tablet to enable them to perform their duties, then providing that any private use is not significant, no benefit charge will arise.

Free canteen meals and light refreshments

You can provide free or subsidised meals for staff as long as they are available for all staff, either at your own premises or in a canteen elsewhere. Care must be taken with hotel, catering and similar businesses – if free or subsidised meals are taken while meals are being served to the public, a separate designated area must be available for staff.

The exemption will NOT apply if meals are provided as part of a salary sacrifice arrangement.

Subsidised transport

An employer can provide a free or low cost bus service, or subsidised travel on public transport, for employees' journeys to and from work. If a works bus is provided, it must seat at least nine passengers, be used for qualifying journeys and be available to all employees.

Bicycles

An employer can provide a bicycle and all safety equipment for commuting and business journeys and this will not incur a benefit charge. Furthermore, providing it has been used for qualifying journeys, the employer can also transfer ownership of the bicycle and any associated equipment free of charge too.

Parking

Providing a parking space, or voucher to use a space, either at or near the place of work is exempt from the benefits charge. Likewise, reimbursement to an employee for obtaining such a parking space is not a chargeable expense.



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Training

If you provide employees with training in practical or theoretical skills required for their job or for their job progression, all costs are exempt from the benefits charge. This includes any associated costs, such as:

- travel and subsistence expenses
- other incidental costs, such as additional childcare expenses directly related to undertaking the training in question
- costs which relate to examinations and registration of qualifications
- the costs of multi-media and distance-learning aids, practical course materials and books

The exemption is also extended to:

- training activities such as first aid and health and safety in the workplace
- employee development schemes
- activities intended to develop skills you need in leadership and teamwork

In-house sports facilities

If sports facilities are made available to all employees and members of their families and households, there will be no benefit charge, providing that those facilities are not:

- available to the general public
- consisting of, or provided in association with accommodation
- provided on domestic premises
- mechanically propelled vehicles or vessels such as cars, motorboats and aeroplanes

Staff entertainment

Staff will not be assessed on the costs of any staff parties during the year, providing that the party/parties are open to all staff and that the cost per staff member (including the costs associated with their guests) does not exceed £150.

Overnight incidental expenses

When employees need to stay away from home overnight as part of a business journey, payments can be made for incidental personal expenditure, such as newspapers and phone calls, of up to £5 per night for business journeys in the UK and £10 a night for business journeys outside the UK.

Pensions and life insurance

Employer contributions into a registered pension scheme are exempt from the benefits charge, as are payments made by an employer for life insurance for employees, providing that the employees' dependents are the beneficiaries.



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Staff welfare counselling services

Welfare counselling made available to all employees on similar terms is exempt from tax. For this purpose, welfare counselling does not include:

- any medical treatment
- advice on finance or tax (other than debt counselling)
- advice on leisure or recreation
- legal advice

Child care and child care vouchers

The provision of childcare facilities for children under the age of 18 is exempt from the benefit charge. The facilities may be provided jointly with other employers, local authorities or voluntary bodies, but the employer must be at least partly responsible for the finance and management of the facilities. The premises must be properly registered and cannot be domestic property.

NB The exemption does NOT cover cash allowances or paying the employee's childcare fees.

There is an exemption for qualifying childcare vouchers, however there is a cap on the maximum value that can be given tax free. The weekly limits for tax free vouchers are currently:

- Basic rate taxpayer £55
- Higher rate taxpayer (40%) £28
- Additional rate taxpayer (45%) £25

The above rates are for employees who first joined an employer voucher scheme on or after 6th April 2011 – for any employees who joined a scheme prior to that date, the tax free amount remains at a flat rate of £55 per week.

Working from home

If you agree that an employee can regularly work from home instead of being at your premises, you can make tax free payments to cover the additional household expenses incurred by working at home.

You can pay up to £4 per week without the need for any supporting evidence. If a higher amount is to be paid, supporting evidence will be required and you should consider seeking agreement from HM Revenue & Customs.

NB This exemption does not apply if an employee simply takes additional work home in the evenings.

There is no charge for equipment provided to enable an employee to work from home, providing that there is no or little private use.

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Suggestion schemes

Employers can run a suggestion scheme and providing that certain conditions are met, rewards under the scheme will be exempt from the benefits charge. The conditions to be met are:

- the scheme must be open on the same terms to all employees, or to all employees within a particular category
- the suggestion must relate to the activities carried on by the employer
- the suggestion for which the award is made must be outside the scope of the employee's normal duties
- the suggestion was not made at a meeting held for the purpose of proposing suggestions

There are two types of qualifying awards, encouragement awards and financial benefit awards.

1. Encouragement awards

An encouragement award is one made for a suggestion which has some special merit or reflects praiseworthy effort on the part of the person making the suggestion. The permitted maximum for an encouragement award is £25. If the encouragement award exceeds £25 the excess over £25 is taxable.

2. Financial benefit awards

There are additional conditions which apply to financial awards. The award only qualifies if it is made after a decision to implement the suggestion and the decision to make an award must be based on the degree of improvement in efficiency or effectiveness likely to be achieved.

The amount of the award must not exceed:

- 50% of the expected net financial benefit during the first year of implementation; or
- 10% of the expected net financial benefit over a period of up to five years subject, in each case, to an overriding maximum of £5,000.

Where an award exceeds £5,000, the excess over that figure is taxable. If two or more employees receive an award for the same suggestion, the exempt amount is divided between them in the same proportion as their individual awards bear to the total sum awarded.

Need help?

If you would like to discuss any of the points raised above, or any other tax planning opportunities which may be relevant to your business, please call us on 01502 370620 or 07919 924273, or email us at nina@waveneytaxsolutions.co.uk.