



## Teachers Financial Planning



Tax UPDATE

## Employee benefit schemes

Employee benefit schemes can help you to recruit and retain high calibre employees. This guide looks at the options available.

### What are employee benefits?

Employee benefits are non-cash provisions within a pay and benefits package. They often carry significant financial value, for example, additional paid holidays, enhanced pensions and company cars.

### Why offer employee benefits?

There are several reasons that you may choose to offer employee benefits. You may use them to help with recruitment or to motivate employees to achieve certain objectives. You may also choose to offer benefits for moral reasons, such as a desire to care for your employees' well being.

Whatever your reasons, employee benefits generally form a significant portion of overall pay and benefits packages. In fact, the Chartered Institute of Personnel and Development (CIPD)

estimates that employee benefits can account for up to 40 per cent of the costs to organisations that employ staff.

How attractive a benefit is will depend on an employee's individual circumstances.

### Types of benefit

There are several types of benefit available, allowing you to tailor an employee benefit scheme to suit you and your employees.

Many benefits can also be tax efficient so it is worth getting advice to make sure your strategy is as efficient as possible.

Major benefits include:

#### Holidays and time off

Employers are obliged by law to offer certain levels of paid annual holiday, though you may choose to offer paid holiday entitlements that are above the minimum level. The same goes for entitlement for other types of time off, such as maternity, paternity, adoption and parental leave.

### Company cars and car allowances

You may choose to offer a company car, either because the job requires it or to recognise the status. Personal use of these vehicles is taxed according to their value and CO2 emissions.

### Group pensions

In October 2012, pension auto-enrolment began changing the face of workplace pension provision. Over the next few years all businesses will have to provide a qualifying pension scheme into which employees are automatically enrolled. Employers will also have to make at least the minimum required pension contributions for qualifying employees and can choose to contribute more than the legal minimum if they wish to.

If you do not have a workplace pension scheme in place, it is



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important that you look into it now. By April 2015 all businesses with more than 50 employees will need to have auto enrolment in place. Businesses with fewer staff will be close behind and all businesses will have to have auto enrolment in place by February 2018.

## Group life, income protection and critical illness insurance

These benefits can be surprisingly affordable to provide, while offering your employees peace of mind and security. You may choose to offer just one of these benefits – if so, it is worth researching which would be better received. Each offers a degree of security to your employees and their families, should anything happen to them that affects their ability to work or earn.

## Private medical insurance

Private medical insurance can help you to ensure your employees receive medical attention quickly, minimising the time they are away from the workplace. NHS waiting times can be as long as 18 weeks but medical insurance will help fast-track that wait. Private medical insurance can be expensive to provide so it is important to weigh up the potential returns for your business.

## Voluntary and flexible benefit schemes

Voluntary benefits are products and services that are available for your employees to buy, usually at a discount, out of their taxable income or sometimes via salary sacrifice arrangements.

Examples include high street discounts, bicycles for work and childcare vouchers.

Flexible benefits, also known as cafeteria benefits or flex plans, allow employees to select their benefits according to their circumstances. Both initiatives suit the increasing individualism of pay packages.

## Dental and optical health care

Offering dental and optical benefits can be practical for both your business and your employees. Offering dental cover, eye care vouchers and paid-for check ups could keep your workforce healthy and reduce their time away from the office.

According to the Eyecare Trust, 85 per cent of people admit to having problems with their vision, which could make it a worthwhile benefit. Both can be cost-effective too, with dental cover available from around £7 per month per employee.

## Employee share schemes

Offering shares to your employees can be a great way to motivate and engage your staff. There are several ways to offer shares to your employees including Save as You Earn and Share Incentive Plans. Recent changes have made it easier for employers to buy back shares when an employee leaves a business.

A new type of employment status was introduced from 1 September 2013. Employee shareholders have different employment rights to employees and must be awarded at least £2,000 worth of shares in the company.

## Other benefits

Other benefits include childcare voucher schemes, corporate ISAs, health cash plans and gym memberships. Some are more popular than others, but the important thing is to devise a package that is as tax efficient as possible and that works for your business.

## Communication is key

You won't know whether a benefit is worthwhile or not without talking to members of staff and understanding what their priorities are. Issue a survey to your employees to establish their requirements and which benefits would be of interest.

Once you have decided on your remuneration and benefits package it is vital that it is communicated to your staff. They won't be able to view anything as a benefit if they don't know about it. You might even waste money if there is no take-up of your employee benefits package.

## Seek advice

Getting your employee benefits scheme right is important. We can help you to understand your options, find the right products and incentivise your employees in a way that works for your business.

Get in touch for more information.



## Important information

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future.

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