**Workplace Pensions**

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| **Employer tax** | **Employee tax** | **Cost to Employer** |
| Corporation Tax relief | Income Tax relief at highest rate.  Tax efficient growth within pension fund | Current minimum is 1% Employer contribution based on Qualifying Earnings (£5,824 - £43,000) |

**What is a Workplace Pension?**

A Workplace Pension is a pension scheme offered by an employer, into which the employer (and usually the employee) makes a contribution.

Since the introduction of Auto-Enrolment in 2012, all companies will have to offer a Workplace Pension by the end of 2019, and make contributions into it.

A Workplace Pension can be offered through a variety of providers in the UK.

**How does it work?**

There are two main types of Workplace Pension.

The first is a Defined Benefit (DB) scheme, more commonly known as a final salary pension. There aren’t many of these left in the private sector, but they are common in the public sector. Under a DB scheme, you are credited with a fraction of your salary for each year you work, e.g. 1/60th. So, after 40 years in the scheme, you could retire on 40/60ths (2/3rds) of your salary.

The second, and much more common, type of Workplace Pension is a Defined Contribution (DC) or money purchase pension scheme. These pensions are generally set up as a series of individual pension policies held under the employer’s group pension arrangement. Each employee has their own individual pension “pot” and their money is managed by the pension provider in accordance with their wishes. DC pensions are not guaranteed in the same way as DB pensions, as the final “pot” at retirement depends on the contributions made and the investment growth over the term of the pension.

**Why is it valuable?**

A Workplace Pension is a tax-efficient way for employees to save for retirement. The State Pension is £155.65 per week (2016/17) and most people agree that the State Pension alone won’t be enough for them to live on in their later years. In addition, as the State Pension Age has been pushed further and further up, many people want to look at being able to fund their retirement without having to wait until age 68. Workplace pensions can currently be accessed from age 55.

Pension contributions receive tax relief at an individual’s highest rate, so that’s either 20%, 40% or 45%. In addition, because employers now have to pay into a Workplace Pension, that makes it even more attractive for employees.

For employers, it is a tax-efficient way to reward employees, as pension contributions can be offset against their Corporation tax bill and, unlike salary, are not subject to Employer’s National Insurance.

**What does it cost?**

Employers have to pay at least 1% of “qualifying earnings” (earnings between £5,824 and £43,000 in 2016/17) into a Workplace Pension, and most companies ask their employees to make a contribution as well. Any amount above this minimum should be seen as a definite benefit to the employees.

**Group Life Assurance**

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| **Employer tax** | **Employee tax** | **Cost to Employer** |
| Corporation Tax relief | No direct tax implications for employee. Lump sum usually paid tax free. | Cover can be achieved for less than 1% of gross payroll, depending on workforce profile |

**What is Group Life Assurance?**

Group Life Assurance, or Death in Service as it is sometimes known, is an insurance policy that employers can take out to cover some or all of their staff for a lump sum payment in the event of death.

**How does it work?**

Employees are covered for either a flat amount or a multiple of salary. They are generally covered for as long as they remain an employee of the company, 24 hours a day and 365 days a year. Employees can choose who benefits from their policy by completing a Nomination Form with the Group Life Assurance provider. In the event of their death, the policy pays out the amount the individual was covered for, which is then paid to the person or persons nominated. In most cases, the lump sum payment is tax-free.

**Why is it valuable?**

Having this benefit means that employees do not have to take out individual life cover, which is often required if they have a mortgage. It provides peace of mind to the employee population and, in the worst-case scenario of having an employee die, an employer can ensure his/her family receive financial support via the lump sum.

In most cases, the employee does not have to complete any medical forms and so people who may struggle to get cover individually can still benefit from the cover.

The benefit is paid for entirely by the company, and is not a P11d benefit for the employee. For an employer, the cost of the policy is tax deductible.

**What does it cost?**

The cost depends on a variety of factors including the profile of the workforce being covered and the level of cover being provided. The older the workforce in general, and/or the higher the level of cover, the more expensive the policy will be.

**Group Income Protection**

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| **Employer tax** | **Employee tax** | **Cost to Employer** |
| Corporation Tax relief | No direct tax implications for employee.  Income tax and NICs deducted from benefit paid through PAYE | 1% - 2% of gross payroll, depending on cover. Can be less if payment term is limited |

**What is Group Income Protection?**

Group Income Protection, or Permanent Health Insurance, is designed to pay out a percentage of an employee’s salary if that employee is unable to work due to a long-term illness or injury.

**How does it work?**

If an employee is absent from work due to illness or injury for a certain period then the insurance company pays a percentage of salary to the employer, who, in turn, pays the employee through PAYE.

The length of time the employee has to be absent for is set by the employer as part of the policy, and can range from 13 weeks up to 52 weeks. The percentage of salary to be covered is also set by the employer, but is usually 50% or 66% of salary.

The payments from the plan will continue until the employee returns to work or the policy term ends. Again, employers set the policy term and this can be a limited period of 5 or 10 years, or run until State Pension Age.

**Why is it valuable?**

Having a Group Income Protection policy means that an employer can continue to pay an employee a proportion of their salary whilst they are off long-term through illness or injury. Knowing that they still have a regular income that is well in excess of Statutory Sick Pay (£88.45 per week in 2016/17) is extremely positive for someone in these circumstances.

It is not a P11d benefit for employees and, in most cases, the employee does not have to complete any medical forms before cover starts. This means people who may struggle to get cover individually can still benefit from the cover as long as they are working.

**What does it cost?**

The cost of cover depends on a number of factors. The profile of the workforce is important and then other factors, such as the amount of cover, the time which elapses before a claim starts, and the maximum period the claim would be paid for, are taken into account.

**Private Medical Insurance**

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| **Employer tax** | **Employee tax** | **Cost to Employer** |
| Corporation Tax relief | Benefit in kind (P11d) | Wide-ranging, depending on cover and employee profile, but £1,000 per employee per year is common |

**What is Private Medical Insurance?**

Private Medical Insurance (or Private Healthcare) is a policy that allows employees to receive medical treatment from the private sector. In most cases, this will mean they can be treated more quickly than on the NHS.

**How does it work?**

Employers take out a policy to cover their employees with a healthcare provider. The best known in the UK market are BUPA, AXA PPP, Aviva and Vitality. These types of policies have many variations in terms of what is covered and if the employee has to pay anything towards their treatment.

Some policies will just cover the employee, whereas other may cover their spouse/partner and their children. Employers may offer cover to the employee, but allow them to add family members at an additional cost that they pay via a salary deduction.

Depending on the type of Private Medical Insurance policy an employer chooses, there may be full underwriting for the employee to complete or, at the other end of the spectrum, the policy may disregard an employee’s medical history completely.

**Why is it valuable?**

In the event of an employee becoming ill, this insurance allows them to get treatment in the private healthcare sector. This usually means the employee can return to work more quickly than if they were waiting for treatment on the NHS. This can be particularly true in cases where there is a long waiting list for NHS treatment.

The employee benefits from having the cost of treatment covered by the policy, although some policies do have an excess that the employee has to pay. Given the cost of private treatment, this benefit can be worth tens of thousands of pounds for a serious condition.

**What does it cost?**

The employer pays the premium for a Private Medical Insurance scheme, but there is a P11d (benefit-in-kind) tax charge for the employee.

The factors affecting the cost of the policy depend on the profile of the workforce, the benefits selected as part of the policy and other factors, such as the excess amount.

**Health Cash Plan**

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| **Employer tax** | **Employee tax** | **Cost to Employer** |
| Corporation Tax relief | Benefit in kind (P11d) if employer-paid | Costs can start from as little as £7.50 per employee per month |

**What is a Health Cash Plan?**

A Health Cash Plan is an insurance that allows an individual to claim cashback on things like dental check-ups, eyes tests and other everyday health-related treatments. It is not designed to replace the type of cover that Private Medical Insurance offers, but it can be provided at a much lower cost.

**How does it work?**

The premiums on a Health Cash Plan can be paid by the company, or by the employee. Employees then claim money back on a variety of check-ups and some therapies, so a check-up at the dentist or treatment from a physiotherapist.

Many Health Cash Plans also offer support such as a counselling helpline, and some offer virtual GP surgeries or access to a healthcare professional online or by telephone.

Claims are generally paid very quickly and on receipt of proof of purchase.

**Why is it valuable?**

The cover means that the cost of smaller medical treatments and check-up can be met, and employees are more likely to seek treatment and return to work after an illness. There is usually no medical application to complete to get the cover.

There is also no excess payable when a claim is made, which means that these plans are generally seen as affordable and good value by employees.

**What does it cost?**

The cost is much lower than Private Medical Insurance, with cover starting from around £7.50 per employee per month. Employer-paid Health Cash Plans are treated as a benefit in kind for tax purposes, so there would be a P11d implication. Health Cash Plans funded by the employee are not a benefit in kind.

**Childcare Vouchers**

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| **Employer tax** | **Employee tax** | **Cost to Employer** |
| Employer does not pay NIC on amount of voucher if scheme run through salary sacrifice | Employee does not pay tax or NIC on amount of voucher if scheme run through salary sacrifice | Cost is minimal and usually offset by the NI saving from the salary sacrifice |

**What are Childcare Vouchers?**

Childcare vouchers are a tax-efficient way for employees to pay for professional childcare, ranging from nurseries and childminders through to holiday camps and breakfast clubs.

**How do they work?**

Employers will usually partner with a recognised provider of childcare vouchers, and then allow employees to give up gross pay in order for this money to be used to purchase the vouchers. This method of paying for the childcare vouchers is known commonly as salary sacrifice, and it means that a basic-rate taxpayer can save up to £930 per annum, and a higher-rate taxpayer up to £630 by using the scheme.

Employers offering these schemes also save Employer’s NIC on the amount of salary given up by employees to buy their vouchers, which helps offset the cost of operating the scheme.

**Why are they valuable?**

Due to the way tax and National Insurance is saved, it means that childcare vouchers can be bought in a tax efficient way.

However, it is worth noting that the government has launched Tax-Free Childcare, which is due to be rolled out from early 2017. This will replace the existing Childcare Voucher Scheme completely in April 2018. For eligible families, Tax-Free Childcare offers to cover 20% of childcare costs (up to £2,000 per child, per year) for children up to the age of 12. However, the scheme will not be open to couples where one parent is not working and parents who claim for children older than 12 years old. It is also not open to anyone earning over £100k, and that applies to both in a couple – so if one earns over £100k the other couldn’t access Tax-Free Childcare. No-one claiming tax credits (including the childcare element of Working Tax Credit) or Universal Credit can access Tax-Free Childcare either.

There will be winners (e.g. the self-employed) and losers (couples where one parent doesn’t work) when it comes to Tax-Free Childcare and employer-supported childcare vouchers schemes will continue to run for the time being. Current schemes can remain open to new entrants until April 2018, and parents already registered by this date will be able to continue using it for as long as the employer and the provider offer it. However, if an employee leaves an employer after April 2018, they won’t then be able to join their new employer’s scheme.

**What does it cost?**

It depends on how much salary an employee wishes to give up in order to purchase the childcare vouchers. Before the changes in 2017, a basic rate taxpayer can buy £243 each month, a higher rate taxpayer can buy £124 and an additional rate taxpayer can buy £110 per month and still get the tax and National Insurance saving. Some employers allow employees to buy vouchers over the Government limit, but these are not tax-free or NI exempt.

**Flexible Working**

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| **Employer tax** | **Employee tax** | **Cost to Employer** |
| n/a | n/a | Main issue is managing productivity and workload |

**What is Flexible Working?**

Flexible working describes a type of working arrangement which gives a degree of flexibility on how long, where, when and at what times employees work.

**How does it work?**

Flexible working arrangements can be formal or informal. Employers may choose to amend an employee's employment contract if new working arrangements are put in place, and/or include flexible working policies in the employer handbook. Some forms of flexible working, such as working from home, are often offered informally in agreement with a line manager.

**Why is it valuable?**

Research has shown that workers on flexible contracts are often more engaged, more satisfied with their work, more likely to speak positively about their employer and less likely to consider alternative employment. Flexible working options can also be attractive for new talent, especially where employee expectations change with regard to their job, career and work-life balance. Some of the most common forms of flexible working offered are as follows:

Part-time working

Flexitime

Working from home

Compressed hours

Career breaks

Mobile working

Job-shares

The top three benefits of flexible working most frequently highlighted by employees are:

It enables a better work-life balance

It helps reduce the amount of stress/pressure they feel under

It is a factor in employees staying with their employer

**What does it cost?**

It is normally the HR team who will identify how flexible working options can benefit both the organisation and the individual. This may be agreed to be in conjunction with advice taken from an external HR consultancy.

**Financial Education**

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| **Employer tax** | **Employee tax** | **Cost to Employer** |
| Corporation Tax relief | No implication for general guidance.  £150 tax free per annum for individual pension advice, then a benefit in kind (P11d) above this amount. | Costs can vary significantly but likely to start from £100 per hour |

**What is Financial Education?**

Workplace financial education involves employers, or a third party provider, educating employees about financial benefits such as pensions, individual savings accounts and tax planning, and how to optimise their financial wellbeing.

**How does it work?**

Financial education can be delivered through one-to-one sessions and/or group workshops and covers a range of topics, such as investment guidance and retirement planning. Online programmes can also be arranged using webinars and video-conferencing.

**Why is it valuable?**

Financial education has always been valued by employees, and with the arrival of pensions auto-enrolment and recent pensions changes in the Government budgets, education is likely to be more valued than ever.

A well designed education programme can help employees improve their financial literacy and understand how economic changes might affect their own financial situation, as well as to generally learn how to make their pay go further.

**What does it cost?**

A financial education programme can be expensive for employers, although costs will vary depending on the employer’s size and the provider it chooses. HM Revenue and Customs regards individual financial education as a benefit in kind, with the tax charged generally on the cost to the employer providing the benefit. There are exceptions, for example, for pension advice costing less than £150 per employee per year. General guidance and financial education to the workforce as a group is not considered a taxable benefit on the employee.

**Company Sick Pay**

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| **Employer tax** | **Employee tax** | **Cost to Employer** |
| Employer NICs | Income Tax | Typically, 5 days – 6 months on full or half pay |

**What is Company Sick Pay?**

Company Sick Pay (also known as ‘Contractual’ or ‘Occupational’ sick pay) is where an employer chooses to provide a higher level of sick pay for its employees above the legal minimum.

**How does it work?**

Company Sick Pay is an enhancement to the terms and conditions of employment at a particular business. The enhancement means that the employee receives more than the minimum legal requirement for periods of sickness, known as Statutory Sick Pay (SSP).

SSP requires employers to pay £88.45 a week (2016/17) payable for a maximum of 28 weeks.

SSP is available to all employees who:

* have an [employment contract](https://www.gov.uk/employment-contracts-and-conditions)
* have done some work under their contract
* have been sick for 4 or more days in a row (including non-working days) - known as a ‘period of incapacity for work’
* earn at least £112 a week
* give you the correct [notice](https://www.gov.uk/employers-sick-pay/notice-and-fit-notes)
* give you [proof of their illness](https://www.gov.uk/employers-sick-pay/notice-and-fit-notes), only after 7 days off

Company Sick Pay can enhance any or all of the terms of SSP, but most commonly employers will pay most or all of an individual’s salary for a period, rather than the £88.45 a week. It would not be untypical for example, for employers to pay 3 months or full pay then 3 months of half pay and then fall back onto SSP.

**Why is it valuable?**

SSP at £88.45 per week is the equivalent of a gross annual salary of £4,600 per annum. That’s not very much compared to either the National Living Wage (around £14,000 per annum) or National Average Earnings (around £26,000 per annum) in the UK.

It’s not hard to see why employees value these enhancements above SSP.

**What does it cost?**

This depends entirely on the type of scheme you put in place and the number of days of sickness you will pay out for in a year.

The cost of a working day can easily be calculated using the ‘1/260 x salary’, where the 260 equates to the number of working days in a year excluding weekends and bank holidays.

You can cap the number of sick days you will pay out for over a given period. It goes without saying that if you have a poor sickness and absence record than your Company Sick Pay scheme will cost you more. You can put insurance in place to mitigate the risk sickness and absence over both the short and long term (over 28 weeks); it’s called Income Protection insurance.

**Holiday above statutory**

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| **Employer tax** | **Employee tax** | **Cost to Employer** |
| n/a | No direct tax implications for employee. | n/260 x salary where n is number of days above statutory |

**What is Holiday above statutory?**

Holiday above statutory is where an employer provides more paid holiday per year than the statutory leave entitlement.

The statutory entitlement for a full time employee is 5.6 weeks, or 28 days including the 8 Bank Holidays each year in the UK.

**How does it work?**

Excluding Bank Holidays, this means that the statutory minimum is 20 days per annum.

Employers will generally either start at 20 days and add further days based on an employee’s length of service with the business, or their job level within the business.

An alternative strategy would be to provide all staff with the same amount of holiday regardless of service or grade. A typical amount might be 25 days.

Some employers allow their employees to ‘buy’ or ‘sell’ holiday in order to fund other benefits, or improve their take home pay, or indeed to take more time off.

Some employers have even experimented with a ‘voluntary’ holiday policy whereby employees take as much holiday as they feel they need. The theory here being that their performance will still be closely monitored by the business and if it falls short of the required standards their job could be at risk.

Note: be careful not to discriminate against anyone when designing your holiday policy. You can’t discriminate on around any ‘protected characteristics’ such as age, sex, disability or sexual orientation.

**Why is it valuable?**

Holiday time is highly valued by employees as it gives people a chance to take a break, recharge their batteries and focus on non-work related activities. This should bring people back to work refreshed, more focused and with more energy.

Having a holiday entitlement helps to keep morale and productivity at a high level. Each employer needs to decide on how far beyond the minimum it wants to go.

**What does it cost?**

The cost of a working day can easily be calculated using the ‘1/260 x salary’, where the 260 equates to the number of working days in a year excluding weekends and bank holidays.

So, if someone earns £25,000 per annum, the cost of an extra day of holiday is 1/260 x £25,000 = **£96.15.**