

Employer Update

January 2010

New Year, New Rules

As we head into the New Year, employers are faced with several changes concerning the tax treatment of employee benefits.

Childcare Voucher Schemes

Last autumn, the Government had announced that it would phase out the tax and NIC exemptions for employer-supported childcare voucher schemes. This plan has now been scrapped.

However, the Government believes that a disproportionate amount of the tax relief goes to employees who fall into the higher-rate tax bracket (currently 40%). Therefore, with effect from April 2011 the tax relief will be capped at the basic rate of tax (currently 20%). Quite how an employer's payroll will deal with this restricted tax relief is far from clear. This change will be only for new entrants to a childcare voucher scheme. So, existing participants will still benefit from the higher-rate relief in the future – or at least until the Government says otherwise.

The message here for employers is clear. If you do not already have a childcare voucher scheme, then you should set one up soon. This will ensure that your higher-paid employees do not lose out on tax relief in the future. A tax-efficient childcare policy not only saves you and your employees money; it also makes you a more attractive employer.

Workplace Canteens

Another change for April 2011 was heralded in the Pre-Budget Report at the end of 2009. The tax exemption for a subsidised or free workplace canteen will no longer apply, where it is linked to a "salary sacrifice" arrangement or a flexible benefits scheme.

Company Cars & Vans

Providing free petrol to employees is often no longer a tax-efficient employee benefit. This will increasingly be so as from 6 April 2010, when the base figure for calculating the taxable benefit of private fuel in a company car will be increased from £16,900 to £18,000. The taxable benefit of private fuel in a company van will be increased from £500 to £550. Coupled with 2009's changes to the capital allowances regime, now is a good time to review your company car policy.



If you need advice on any of the above or other employer issues, please contact us via employerconsulting@pricebailey.co.uk.