

Salary Sacrifice Benefits Being Missed

Less than five per cent of UK employers provide their employees with financial help towards the cost of child care. However, as Paul Davies points out, employers and employees who have, or are contemplating having, such arrangements should consider the potential benefits of making use of a salary sacrifice scheme.

In a salary sacrifice scheme, salary is 'swapped' for non-salary benefits. In general, the provision of a benefit is taxable and subject to national insurance contributions (NICs), but normally this is based on the cost of provision to the employer, not the open market value. This can be advantageous where the cost of supply is less than the market value.

In the case of child care, up to £50 per week can be taken in child care support, where the payment is in the form of the recently-introduced Childcare Vouchers or via a workplace nursery, free of tax and NICs for the employee. A basic-rate taxpayer would have to earn over £70 gross to provide £50 per week for child care.

There is more information on the operation of the Childcare Voucher scheme at <http://www.worksmart.org.uk>.

Salary sacrifice schemes can be beneficial in other cases too. Special rules apply for the provision of cars or vans for employees. There is no benefit in kind for the provision of mobile phones.

There are contractual issues to consider when setting up any such scheme.

For further information or to discuss how to proceed with this or other employment related issues please contact Paul Davies at paul.davies@emsleys.co.uk or tel: 0113 287 4333.