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Editor's welcome

"Spring is when you feel like whistling even with a shoe full of slush" – Doug Larson

And that neatly sums up our thoughts about the new legislation for salary sacrifice schemes. Although more tax will be charged for some benefits provided in this way, the Government has singled out pensions, cycle to work schemes, holidays, childcare vouchers and ultra low emission cars, and confirmed that the changes will not affect these salary sacrifice schemes.

If you haven't already considered a salary sacrifice scheme, this is a great opportunity to save money and provide valuable benefits to help recruit and retain staff. We discuss pensions below and other salary sacrifice benefits in 'The man in the pub' article on page 3.

We also cover the new rules for the apprenticeship levy and gender pay gap reporting on page 2 and on page 4, there are some pointers for getting ready for the end of this tax year and new rates for 2017/18.

Please do get in touch if you have any questions.

For further information please contact Christine Robinson christine.robinson@bhp.co.uk

Government approves pension salary sacrifice

The Chancellor's Autumn Statement ended months of speculation when he confirmed that the forthcoming changes to salary sacrifice schemes will not apply to pensions.

This is great news for employees and employers looking for efficient ways to pay into a works pension. By using a salary sacrifice scheme, employees can save 12% (or 2% if they are higher rate taxpayers) on their pension contributions. Employers will also make savings of 13.8% on the amount sacrificed.

Most employers will have already staged for auto enrolment, with the last employers who were in business in April 2012, staging between now and February 2018, so pension contributions are now a permanent feature, (and cost) of an employee's remuneration package.

Employees appear to be engaged with auto enrolment, with lower than expected opt out rates. Some commentators have suggested that this is because the 1% minimum contribution hasn't really been noticed by employees. But minimum contribution rates go up to 3% from April next year, and then to 5% in April 2019, and faced with this, opt out rates may increase.

Employers will also have to increase their minimum contributions to 2% from April 2018, and then to 3% from April 2019.

Using a salary sacrifice scheme allows employees and employers to make savings now and in the future and may encourage employees to carry on saving into a pension scheme when the rates go up.

Workplace pensions are fully supported by our consultants within BHP Corporate FP Ltd who can provide auto enrolment consultancy from start to finish, working in partnership with the auto enrolment team within our Payroll Bureau who will

assess your workforce, calculate pension contributions, including those under salary sacrifice, and send reports to your pension company.

For further information please contact Christine Robinson christine.robinson@bhp.co.uk

Mind the gender pay gap

From April 2017 employers with 250 or more employees are required to publish details every year showing how large the pay gap is between their male and female employees.

The details must be published on the employers own website and on a government site. The information will be publicly available.

Part-time employees, people who are classed as workers and some self-employed people, (where they have to personally perform the work), will count towards the 250 total.

Six measures of the pay gap must be reported annually and signed off as accurate in a statement by an appropriate person within the business. Employers are allowed to add a narrative to explain the reasons behind any difference and actions taken to tackle any pay gap.

All the calculations are based on the payroll as at 5 April each year and employers have one year to comply with the gender pay gap reporting obligations.

The first report is based on the payroll at 5 April 2017 and must be published by 5 April 2018.

What are the calculations?

1. average gender pay gap as a mean average;
2. average gender pay gap as a median average;
3. average bonus gender pay gap as a mean average;
4. average bonus gender pay gap as a median average;
5. proportion of males receiving a bonus payment and proportion of females receiving a bonus payment; and
6. proportion of males and females when divided into four groups ordered from lowest to highest pay.

Gender pay gap reporting is not equal pay reporting. The gender pay gap shows the difference in the average pay between all men and women in a workforce**.** It does not show the pay differences between men and women who carry out the same jobs, similar jobs or work of equal value**,** which is unlawful.

ACAS have published a detailed guide for employers : http://www.acas.org.uk/media/pdf/l/6/Gender_Pay_Reporting_GUIDE.pdf

For further information please contact Adrian Hulme
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Apprenticeship Levy - a major new employer tax

If your pay bill is over £3m per annum or likely to be over £3m per annum then from April 2017 you will have to start paying the Apprenticeship Levy. The Levy applies to all employers in the UK.

If you are a connected company or charity, you will need to include all the pay of the group to determine if you exceed the £3m threshold. 'Connected' for these purposes has the same meaning as 'connected' for the Employment Allowance.

By pay bill, HMRC mean any pay that is subject to Employers Class 1 NIC, including pay below the lower earnings limit, pay to employees under 21 and pay to apprentices under 25.

If your pay bill is less than £3m per annum, you need take no further action.

For those employers with a pay bill in excess of £3m per annum they will have to pay the apprenticeship levy at a rate of 0.5% of the pay bill.

Employers get a £15,000 allowance to set against their apprenticeship levy. This accrues monthly, and any unused allowance from one month is carried forward to the next.

For example, in month 1 the company pay bill is £275,000. Half of a percent of this is £1,375. From this we deduct the allowance of £1,250. This means that the employer has a liability of £125 (£1,375-£1,250). The allowance and the levy is recorded on the Employer Payment Summary (EPS) for RTI and is paid with the company's ordinary monthly PAYE / NIC remittance.

If you are connected you can share the £15,000 allowance in whatever way you wish. You must report how much of the allowance you are allocated at the beginning of the tax year and you cannot change the allocation part way through.

Apprenticeship Levy payments are paid into a fund. The Government then tops up this fund by 10%. Employers have up to 24 months to use their funds to pay for apprenticeship training. After 24 months the funds expire. Additional government funds are available if the training costs exceed the levy payments.

Employers in England can access the

Apprenticeship Service at https://www.gov.uk/guidance/manage-apprenticeship-funds

Apprenticeship funding is available for smaller employers who don't pay the Apprenticeship Levy. Further details can be found at https://www.gov.uk/take-on-an-apprentice

HMRC have published a useful general guide to the Apprenticeship Levy at https://www.gov.uk/guidance/pay-apprenticeship-levy

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The man in the pub talks about...

Salary sacrifice

Our friend the Man in the Pub has been particularly vocal in recent weeks. This time he has been sharing his insights on the forthcoming changes to salary sacrifice and has managed to propagate an unusually high number of myths. We thought we would take a look at some of his more oft aired pronouncements, especially in connection with cars, and provide the facts.

Salary sacrifice has been abolished

No it hasn't. For many benefits it will continue exactly as before, with no change to the tax and national insurance treatment. The Chancellor has specifically ringfenced pensions, cycles, childcare vouchers, nursery provision, ultra-low emission cars (ULEVs) and additional holiday entitlement, and each of these arrangements will continue for the foreseeable future without change.

For all other arrangements, such as higher emissioned cars, smartphones and IT equipment, there will be a loss of favourable tax treatment (although, for cars, not necessarily in all cases) for arrangements entered into after 5 April 2017, but employees will still benefit from a saving of national insurance.

Salary sacrifice will be abolished in 2021

We would never attempt to second guess what a Chancellor might do next year, let alone in four years' time! However, the only significance of 2021 is that company cars ordered prior to 6 April 2017, which will still be taxed under the old rules, will be moved onto the new rules from that time. In practice this is unlikely to affect many vehicles as very few car salary sacrifice contracts extend beyond four years. There is certainly nothing at all to suggest that salary sacrifice will be abolished in 2021.

Companies are no longer signing up for salary sacrifice schemes

Since the announcement of the changes we have been involved in a number of implementations of new schemes. This has been particularly true for pensions, as we now have certainty that the substantial national insurance savings will still be available. As well as this, the increase in the minimum Auto Enrolment contribution rates from April 2018 has encouraged employers to look at how they can mitigate this cost increase, for the company and the workforce, and pension salary sacrifice is invariably the answer.

Perhaps less expectedly, interest in car salary sacrifice has also remained buoyant. Some employers who had been previously holding back on implementing a scheme have now gone ahead because there is certainty over the rules that will apply in future. This enables them to budget and plan effectively without the fear, which had existed for some time, that salary sacrifice might simply be scrapped. Other employers have welcomed the encouragement of ULEVs as they see the environmental benefits, and feel that the introduction of such a scheme makes a strong statement about social responsibility and their commitment to reducing their carbon footprint, with the attendant PR advantages that result.

Following the changes, only ULEVs will be available under car salary sacrifice schemes

Although ULEVs will enjoy tax advantages under the new rules there will be no restriction to the cars available. Driver behaviour is likely to change when choosing a new car, and an increasing number will at least have a look at what is available in the expanding ULEV segment of the market place. But although some cars will become less tax effective under salary sacrifice, for many it will still be very much business as usual.

Under the old rules the driver was taxed on the benefit in kind (BIK) of their chosen car. Under the new rules they will be taxed on the higher of the BIK or the sacrificed salary. However, many drivers choose to take a car where the BIK is already higher than the sacrificed salary. In such cases there is no cost increase. A comparison undertaken by one of the large scheme providers shows that approximately 50% of drivers currently in salary sacrifice cars would see only a minimal tax increase once the rules change. In many cases the difference can be as little as £1 a month.

In conclusion, reports of the demise of salary sacrifice are very premature- it is alive and kicking and still forms a vital and cost effective part of reward strategy and employee engagement for an increasing number of employers. Please speak to us if you want to know more.

For further information please contact Nick Davies nick.davies@bhp.co.uk

In brief

The Expenses Conundrum – P11D or Payroll?

Since the end of dispensations, expenses that that are paid or reimbursed to employees, and which are fully allowable for tax relief, no longer have to be reported on P11Ds. However, employers must still check that the expense, (including benchmark scale rates and bespoke rates agreed with HMRC), has actually been incurred and that it is tax exempt.

However, if you pay or reimburse an employee for expenses that are not, or only partially eligible for tax relief, the amount paid or reimbursed is treated as earnings and should be put through the payroll, rather than the P11D, for tax and NICs. It is then down to the employee to make a claim for tax relief for any business element.

The above advice is for situations where the employer reimburses cash to the employee. But where the employer meets an expense on behalf of an employee, such as when an employer pays an employee's home phone bill on his or her behalf, and the expense is for both private and business use, only the cost of the private use should be reported on the P11D for tax purposes.

NICs will be charged, either through the payroll, as in this example, or through the P11D. (If the bill is in the employee's name, NICs is charged through the payroll. If the bill is in the employer's name, NICs are charged through the P11D.) If the business use can't be identified and verified, the whole amount should be put onto the P11D and the employee can make a claim for tax relief for the business element.

Adjusting payroll for Class 1 NICs – extra time to submit FPS

If you provide your employee with a benefit where you have to pay NICs through payroll, but tax is dealt with through P11Ds, you can have up to 14 days extra to submit your FPS report. This situation can arise where you pay a personal bill on behalf of an employee, e.g. paying an employee's personal mobile bill. Put reason 'D' on the FPS, or you may be charged a late penalty.

"Making good" for private expenses

Where an employee makes payments to their employer in return for receiving a benefit such as fuel for private journeys, the benefit in kind value can be removed if all private fuel has been repaid. This is called "making good". The deadline for "making good" for 2016/17, is 5 April 2017 but going forward, this will change to the 6 July after the end of the tax year.

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National Living Wage and National Minimum Wage – changes from 1 April 2017

	Aged 25 & over £	Aged 21-24 £	Aged 18-20 £	Under 18 £	Apprentice £
April 2017	7.50	7.05	5.60	4.05	3.50
Current	7.20	6.95	5.55	4.00	3.40

Changes to car, van and fuel benefits from 6 April 2017

	2016/17 £	2017/18 £
Car fuel benefit multiplier	22,200	22,600
Van fuel benefit charge	598	610
Van benefit charge	3,170	3,230

Childcare vouchers – estimate employees' income

	Tax-free amounts	
Basic rate	£55 per week	£243 per month
Higher rate	£28 per week	£124 per month
Additional rate	£25 per week	£110 per month

The amount of tax –free vouchers an employee can claim is based on how much tax they will pay.

An employer must make a reasonable estimate for 2017/18 before the start of the tax year, based on all contractual and guaranteed payments: basic pay, bonuses, commission, overtime and allowances, and the cash equivalent of benefits in kind.