

Giving more to employees

Lee Muter shows how to be canny with staff benefits

In these times of austerity, higher taxes and nil pay rises, dental practice principals need to be more creative in providing employees with a competitive salary package. Benefits in kind can be a very good way of boosting salaries. This article explores some worthwhile perks which do not cost the earth and do not arouse the curiosity of HM Revenue and Customs.

You do need to be careful in your choice of staff benefits because some are taxable. Employers also have to pay Class 1A National Insurance on the value of the perk which is currently at a rate of 12.8 per cent and from April 2011 will be at a rate of 13.8 per cent.

Dental practice team members are a walking, talking and, more importantly, smiling advertisement for their employers.

For example, providing something as simple as a uniform to reception staff is classed as a benefit in kind. The exception is a garment with an identifiable and permanent dental practice logo affixed to it. But when clothing is provided to employees without a logo, the taxable benefit is the full cost of the clothing.

The obvious example of a perk in a dental practice would be dental treatments provided without charge to your staff. It is a fact that dental practice team members are a walking,



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talking and, more importantly, smiling advertisement for their employers. How a dental practice employee looks or, rather, how their teeth look, provides reassurance that the dentist is a good one. The gleaming, straight smile of a receptionist is often worth more in value than any modern day in-house plasma screen advertising the latest dental treatment.

If a dental practice provides dental care to its employees, surely that would be taxed like any other perk? Well, the answer is 'yes and no'. There will certainly be something which should be taxed but the rules on in-house benefits (those which are provided to the general public as part of normal trade and which are offered to employees at a discount) are different to normal perks. Although in-house benefits are taxable, the value of the benefit is low as it is based

on the actual cost to the business of providing the benefit. Therefore it is not the cost to the general public that is the value, but the cost to the business of that treatment. Therefore, for example, a consultation which would usually cost a patient £100 has no actual cost to the business, beyond the 'opportunity' cost of treating another more lucrative patient, and therefore offering a consultation to employees will not incur a taxable benefit.

Similarly, if this leads to a course of treatment for an employee, such as, for example, fitting a brace to correct crooked teeth, the only benefit to the employee would be the cost to the practice of laboratory scans, the cost of the brace and any additional physical costs of the treatment. The 'time' costs would be disregarded for the purposes of tax and NIC. ☺

☞ Another option might be to provide the dental treatment as part of a salary exchange. In a salary exchange, the employee takes less salary in return for a benefit of their choosing which is funded out of gross pay, reducing the tax for the employee and the salary the employer has to pay.

There are a number of other Government-approved schemes which provide employees with a tax-free benefit in kind which also helps to reduce NIC costs for the employer. Among them are the Cycle to Work Scheme and the Childcare Vouchers Scheme.

Cycle to Work scheme

The Cycle to Work scheme is a Government-backed initiative aimed at employers loaning bicycles to employees to enable them to use them for recreational and work purposes. Its aim is to promote the

idea of healthy employees and, provided all conditions are met the bicycle can be provided to an employee free of tax and NIC. Many employers have taken advantage of this initiative and have gone on to supply bicycles to employees through salary sacrifice to fund the purchase cost which keeps the costs to a minimum and also saves an employer on payroll costs.

Childcare Vouchers scheme

Most employers now offer the provision of childcare through a voucher scheme administered through dedicated third party arrangers which can help employees save on their childcare costs. A note of warning on this scheme is that there are changes which came into play for all new schemes put in place after April 2010. From that date, the generous tax reliefs available have been reduced,

which although it makes the scheme appear less generous than before in terms of tax/NIC savings, still remains an attractive benefit for working parents.

Summary

Although more tax and NIC is being sought by HMRC from employees and employers there are still ways to provide that little bit extra without necessarily increasing an employers' costs. Provided all the documentation is correct there are some attractive tax and NIC exemptions which can still apply and will not attract the interest of HMRC. ■

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