

Salary Sacrifice Update

Following changes to legislation effective from 6 April 2017 benefits provided under 'optional remuneration arrangements' can no longer benefit from Employee Income Tax and Employer National Insurance advantages that were previously available under salary sacrifice arrangements. This includes both benefits in kind with a cash allowance option and flexible benefits packages with a cash option.

A benefit is provided under an optional remuneration arrangement if it is provided under an arrangement of either type A or type B:

- type A arrangements are arrangements where employees give up the right, or the future right, to receive an amount of earnings (for example salary) which would be liable to tax in return for the non-cash benefit
- type B arrangements are arrangements, other than type A arrangements under which the employee agrees to be provided with a non-cash benefit rather than an amount of earnings (for example the option of a cash allowance)

All benefits or facilities regardless of form and manner are subject to the new rules if they are provided under an optional remuneration arrangement.

Where a benefit is chosen instead of some form of cash pay, the taxable value of the benefit is the greater of the amount of cash pay given up and the taxable value under the normal benefit in kind rules.

There are some benefits excluded from the new legislation and these are detailed below:

- Childcare Vouchers
- Pension Schemes / Pension Advice
- Cycle to work schemes
- Ultra-low emission vehicle schemes
- Excepted Group Life schemes
- Car schemes for vehicles with CO₂ emissions of less than 75g/km



There are also transitional protection arrangements in place as below:

- Company car schemes for cars with CO₂ emissions of more than 75g/km will be protected to the earlier of the scheme being renegotiated, reviewed **or** April 2021
- All other benefits will be protected until the earlier of the scheme being renegotiated, reviewed **or** April 2018

We suggest that you review your benefit arrangements to assess whether they fall into either category A or B optional remuneration arrangements as above and whether they benefit from the transitional protection arrangements.

Your payroll / HR software will be able to provide you with more information regarding any updates / amendments that are required to be made through payroll however if you require any assistance with reviewing your benefit arrangements then please do not hesitate to contact your usual Goddard Perry consultant.

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