



Employee Benefits



In order to help attract and retain employees, many companies consider the use of various benefits and pensions payments to add to the employee's salary package.

Company benefit schemes are typically set up on a group basis to provide cost and administrative savings.



Medical Insurance

Providing private medical insurance (PMI) is now one of the common benefits which corporations offer to attract and retain staff. As such, many employees now expect some level of private health care as part of their overall employment package.

However, there are also benefits for employers in offering such packages. Ensuring people have speedy access to medical care should mean they take less time off work when ill. Providing private health care is also an allowable business expense if your company pays corporation tax.

Directors and employees will have to pay tax and national insurance contributions on any premiums paid on their behalf (as a benefit in kind), although payouts in respect of claims are, of course, tax-free.

Most PMI providers offer tiered schemes which allow you flexibility over the benefits you then offer. The basic schemes, for example, might offer hospital care as an in-patient or out-patient for serious illness; mid-tier policies might add in diagnostic tests and medical treatment, while top-tier schemes could bring in perks such as free prescriptions, home nursing and dentistry. How you then structure a policy so that different employees get what benefits, is then up to you.

Company Pensions

It is now mandatory that all eligible employees be automatically enrolled into a qualifying workplace pension arrangement.

This means a qualifying scheme must be part funded by the employer, with a contribution of 3% of eligible earnings. This will be added to a 4% contribution from the employee and another 1% from the Government (via tax relief), making a total of 8%.

Consequently, the cost of having to part-fund such workers will be an increased cost for businesses.

Salary exchange

Previously a director's perk, salary sacrifice schemes are increasingly offered by employers to mitigate tax and to allow flexibility on how employees take their remuneration. Under these arrangements, you can trade part of your salary for benefits, such as pension contributions.

Having part of a salary or bonus paid into a pension scheme has particular tax advantages. If you sacrifice, for example, £100 of gross salary every month and have this paid into your pension scheme, you save tax at your marginal rate plus national insurance (NI) contributions. Salary sacrifice also has advantages for the employer, who saves their own NI contributions.

Some companies may even rebate this back to the employee, while others may simply use it to cut overheads. And the maths for pensions is compelling. Higher-rate tax payers would get £100 of investment at a net cost of just £58, while lower-rate tax payers would get the same for just £68. Salary sacrifice might also be tax-efficient for other benefits because employees receive them at the gross value (subject to the rules over benefits in kind).

Employees must be careful not to commit to a salary cut they cannot sustain. Reducing your salary will have knock-on effects for mortgage applications, death-in-service benefits and income protection. You also need to ensure your employer's pension merits additional investment. If the scheme is weak or inflexible, it may not be worth the sacrifice. Some employers, however, might contribute to employees' personal pensions so it is always worth seeing what can be done.

Other Group Benefits

Life Cover / Critical Illness Cover / Income Protection / Dental

If an employer wishes to provide other benefits for members of staff, this can be done on a relatively economic basis taking advantage of group scheme rates. Usually the minimum number of members of such a scheme is three and the greater the number of eligible employees the lower the unit cost. There are tax advantages to the employer for providing such benefits which can be promoted as part of a wider package of benefits to employee and their families.

Typically, schemes offer a simplified administration system with staff membership changes being reflected at the annual scheme renewal.

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