

Tax-Free Staff Incentives

Retain good employees with tax-free incentives



I don't believe it – more good tax news!

Many of our recent Topical Tips have dealt with various types of tax free 'perks' that can be offered to employees and this one is no exception! In this issue we look at three more tax-efficient incentives for employees! And remember, Directors are employees too!

Tip 1 Mobile Phones

Most people know that there is no charge to tax on a mobile phone provided to an employee by an employer, or on any line rental for that phone paid for by the employer (as long as it cannot be converted into money by the employee). However, where an employer pays an employee to use their own mobile phone a tax liability does arise.

It would be a considerable perk therefore to many employees to have their mobile phone supplied and paid for by their employer as there would be no benefit and thus no tax or NIC on the cost. Also the employer would not suffer class 1A National Insurance Contributions.

Mobile phone tariffs are getting cheaper every day and it possible to get 500 minutes of free call time plus 60 text messages for as little as £15 per month!

Tip 2 Long Service Awards

Long service awards can be made to directors and employees as testimonials to mark long service. They can take the form of tangible articles of 'reasonable cost' or shares in an employing company. These awards are not taxable when the relevant period of service is not less than 20 years and no similar award has been made to the employee within the previous 10 years.

An article may be taken to be of 'reasonable cost' where the cost to the employer does not exceed £50 per year of service, so for an individual that has been an employee for at least 20 years, the first maximum award could be goods costing up to £1,000. When, 10 years later, service has reached 30 years, a further award could be made valued up to £1,500.

Tip 3 Interest Free Loans

Employers may make interest free loans to employees of up to £5,000 in any one tax year without a taxable benefit in kind arising. Such loans can be used for any purpose such as buying season tickets, clearing credit card debts or paying a deposit on car.

The terms of such loans should be set out in writing and should deal with events such as the sudden death of the employee or resignation from the employment.

Remember though that if all or any part of the loan is forgiven, this will be treated as 'net pay' and will trigger a charge to income tax and National Insurance in the month in which the loan is forgiven

Consult your Barnes Roffe LLP contact partner for further guidance on these generous incentive schemes.