

Consultation on removal of tax and National Insurance contribution advantages for salary sacrifice schemes

Background

At Budget 2016, the government announced plans to consider limiting the range of salary sacrifice benefits in kind that attract tax and National Insurance contributions advantages. HMRC has now launched a consultation on the restriction/removal of certain salary sacrifice schemes to reduce the impact these schemes can have on the Exchequer.

Scope

The proposals do not impact further on public sector pension contributions following on from the blanket removal of the contracting-out rebate which took effect in April this year. There are also no plans to remove certain schemes including workplace nurseries and cycle to work, as well as non-monetary value exchanges (such as annual leave).

However, the (potential) removal or restriction of other benefit in kind arrangements may have significant impact on both your cashflow and on your overall recruitment/retention strategies.

Amongst other things, the government is seeking your views on:

- Whether there are salary sacrifice arrangements which should be unaffected as they do not involve the receipt of a “benefit”?
- Are there any particular impacts on different sectors or size of business?
- Are there any other consequences the government has not considered in its planned legislation?

Actions

You should carefully read the consultation which can be accessed via this link: <https://www.gov.uk/government/consultations/salary-sacrifice-for-the-provision-of-benefits-in-kind> and consider whether you will be taking the opportunity to both respond to the direct questions the government is posing and to raise any other concerns you may have.

The closing date for the consultation is 19 October 2016.

Please alert all relevant HR and Finance personnel who may wish to consider providing input to a response to the consultation.