

Tax Planning Tips

Employment and remuneration – looking after your employees

Feed employees with free or subsidised food in a staff canteen

Where the food is available to all employees, or all who work at a particular site, there is no taxable benefit for employees when they receive free or subsidised food. A catering or restaurant business must designate an area exclusively for staff use to eat their employer-provided meals.

Provide electric or low-emissions company cars

For 2023/24, all-electric company cars can be provided to employees with a taxable benefit of just 2% of the list price of the vehicle. Where a hybrid car is provided with CO2 emissions of up to 50g/km and an electric-powered range of 130 miles or more, the taxable benefit is also 2%. The employer can claim a 100% first year capital allowance deduction for the cost of new wholly electric cars.

Example

On 6 April 2023, TW Ltd provided its director, Elaine, with a brand-new electric car which has a list price of £27,000. TW Ltd also pays for car insurance, servicing, and any repairs. TW Ltd can claim a deduction of £27,000 plus the related running costs when calculating its trading profit. The taxable benefit for Elaine is £540 in 2023/24. If she is a higher rate taxpayer, the tax cost of using the car for the entire year will be just £216.

Encourage clean commuting by providing electric charging points



Provide electric vehicle (EV) charging points at your business premises for your employees to use. There is no taxable benefit for the employees who use the electricity to power their cars and the business can claim a 100% deduction for the costs of installing EV charging points before April 2025.

Assist employees with the extra costs of working at home

Employers can pay £6 per week (£26 per month) free of tax and NIC to employees who regularly work at home. There needs to be a formal arrangement with the employer that the employee is required to work at home. The allowance is not available where the employee simply chooses where they work.

Tip

Where an employer has not paid the home working allowance to an employee who regularly works from home see above, the employee can claim £6 per week as a tax deduction in their tax return or as a standalone claim from HMRC. Claims can be made up to four years after the end of the tax year.

Help employees meet unexpected bills with small loans

You can provide an interest-free, or low interest loan, to your employees to help them pay any personal bills. The loan must be repayable, and it is advisable to have a formal loan agreement in place which sets out the repayment terms. As long as the total amount lent by the employer to the employee does not exceed £10,000 at any point in the tax year, there is no taxable benefit for the employee

Provide free transport to help employees get to work

Where your employees are finding it difficult to afford to travel to work, you can lay on a works bus so they can travel to work for free. The vehicle used must seat at least nine passengers. There is no taxable benefit for the employees as long as the bus is used mainly by your employees and their children.

Provide your employees with an annual health check and eye test

The health check is free of tax. Medical treatment paid for by an employer is generally a taxable benefit. However, there is an annual exemption of up to £500 where you fund medical treatment that will assist an employee's return to work from sickness or injury. The eye test is also tax free if the employee needs to use a computer screen or similar display screen as part of their job. Any special corrective lenses required to use that equipment can also be provided tax free.

Supply your employees with one tax-free mobile phone each

Employer-provided mobile phones are tax free, as long as it is the employer rather than the employee who owns the phone and takes out the contract with the telecoms company.

Encourage your employees to cycle to work with a subsidised bicycle

You can lend bicycles and associated safety equipment to employees to use to commute to work and for any other private journeys. The bicycle and safety equipment can be provided instead of a portion of pay under a salary sacrifice scheme. The employee can be invited to buy the bicycle at a significant discount at the end of the loan period, and there is no limit on the value of the bicycle that can be provided.

Provide a nursery or crèche for employees' children

A workplace nursery can be a very valuable benefit for working parents, and it is tax free for the employee if qualifying conditions are met. The employer must be responsible for the management and financing of the nursery, and the care must be provided on the employer's premises (which must not be a private home) or in an area hired for that purpose. You will also need to meet local child nursery registration requirements.

Increase employee morale with trivial benefits

Employees and directors can be provided with gifts worth up to £50 per item which are totally free of tax and NICs. The gift must not be cash or a cash voucher, it must not be provided as a reward for services, and the individual must not be entitled to receive the item under any contractual obligation. Directors of close companies and their family members cannot receive more than £300 of such trivial benefits in any one tax year.

Example

Brian is the director of his own company, BVC Ltd. He has an interest in botany. BVC Ltd occasionally provides Brian with books and equipment relating to his hobby. As long as each item does not cost more than £50, and the total value of the gifts BVC Ltd makes to Brian in any tax year do not exceed £300, there is no taxable benefit for Brian.

Levels and bases of taxation and tax reliefs are subject to change and their value depends on individual circumstances.

We hope that these tips have been useful. If you have any queries, please get in touch.