




Maximise results through an effective combination of recognition (usually free!), incentives and rewards to motivate employees and impact your bottom line...

| RECOGNITION                                                                                                                                                                                                              | INCENTIVES                                                                                                                                                                                               | REWARDS                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p>Generally non-financial, after-the-fact to acknowledge an achievement or job well done such as a verbal or written 'thank you'.</p> |  <p>Typically, financial and used to recognize outstanding performance and results, for example, one-off bonuses.</p> |  <p>Usually part of the remuneration package aimed at meeting financial expectations and personal needs, for example, pension contributions.</p> |

*"Compensation is a right, recognition is a gift" ROSE, 2011*

### EMPLOYEE BENEFITS AS REWARDS

- ✓ Increase Your Appeal
- ✓ Minimize Your Turnover Rate
- ✓ Healthier Employees
- ✓ Better Job Performance
- ✓ Better Morale

### ARE EMPLOYEE BENEFITS THE ANSWER?

- ✓ What do you want to achieve? (Retention, increased productivity, loyalty, new behaviours)
- ✓ Financial implications for you and your employees
- ✓ Implementation and administration requirements
- ✓ Employment law considerations

### BIG CHANGES AHEAD...

From April 2017 the tax and National Insurance saving on salary sacrifice schemes will be removed on all benefits with the exception of:

- ✓ Pension schemes
- ✓ Childcare Vouchers
- ✓ Cycle to Work Schemes
- ✓ Ultra-low emission cars
- ✗ Car Park Spaces, Cars, Technology, Gym Membership
- Health Check Ups, Flexible Benefit Schemes

## SHOULD I USE THE REMAINING SALARY SACRIFICE SCHEMES?

| PENSION:                                |                                       |                                      |                               | CHILDCARE: |                                                                                                                                                 |                                 |            | CYCLE TO WORK: |                                                                 |                                 |                |
|-----------------------------------------|---------------------------------------|--------------------------------------|-------------------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------|----------------|-----------------------------------------------------------------|---------------------------------|----------------|
|                                         | <b>Before<br/>Salary<br/>Exchange</b> | <b>After<br/>Salary<br/>Exchange</b> | <b>Increase/<br/>Decrease</b> | ✓          | Parents can receive up to £55 per week or £243 per month of childcare vouchers per month from their employer free of tax and National Insurance |                                 |            | ✓              | Saves 32% for basic taxpayers and 42% for higher rate taxpayers |                                 |                |
| <b>Net Pay</b>                          | £34,667.20                            | £34,667.20                           | £0.00                         | ✓          | Available up to the age of 15                                                                                                                   |                                 |            | ✓              | The savings are shown below on a £500 bicycle:                  |                                 |                |
| <b>Cost to Employer Pension Payment</b> | £59,380.54                            | £58,952.27                           | £-428.28                      | ✓          | The savings are shown below:                                                                                                                    |                                 |            |                |                                                                 |                                 |                |
|                                         | £6,600.00                             | £6,703.45                            | £103.45                       |            | <b>Status</b>                                                                                                                                   | <b>Annual Tax exempt amount</b> | <b>Tax</b> | <b>Savings</b> | <b>Status</b>                                                   | <b>Annual Tax exempt amount</b> | <b>Savings</b> |
|                                         |                                       |                                      |                               |            | Basic rate 20% tax 10.6% NI                                                                                                                     | £2,916                          |            | £892           | Basic rate 20% tax                                              | £340.43                         | £159.57        |
|                                         |                                       |                                      |                               |            | Higher rate 40% tax 2% NI                                                                                                                       | £1,484                          |            | £623           | Higher rate 40%                                                 | £290.58                         | £209.42        |
|                                         |                                       |                                      |                               |            | Additional rate 45% tax 2% NI                                                                                                                   | £1,325                          |            | £623           | Additional rate 45% tax                                         | £265.65                         | £234.35        |

### PROS OF SALARY SACRIFICE

- ✓ **Cost-effective** – Benefits are often exempt from tax and National Insurance.
- ✓ **Helpful** – Employees can access products/services that may otherwise be out of reach.
- ✓ **Reduction in payroll costs** - Generally there are savings to be made on employer's NI contributions.
- ✓ **Increase in Tax Credit entitlement**
- ✓ **Employee retention**

### CONS OF SALARY SACRIFICE

- ✓ **HMRC compliance**
- ✓ **National Minimum Wage compliance**
- ✓ **Parental leave and long-term sickness** - Employers must continue to provide the benefit, despite a potential drop in salary.
- ✓ **Effect on State benefit entitlement**
- ✓ **Impact on Mortgage Calculations**
- ✓ **Additional administration**

### EMPLOYEE BENEFIT OPTIONS:

#### Non P11D (Benefit in Kind) Options

- ✓ Group Life Assurance (Death in Service)
- ✓ Group Income Protection
- ✓ Pensions
- ✓ Business Travel Insurance

#### P11D Benefits (Benefit in Kind) Options

- ✓ Private Medical Insurance
- ✓ Health Cash Plan
- ✓ Group Dental Insurance
- ✓ Group Cancer Insurance
- ✓ Group Critical Illness

Navigating all of this information can be daunting and getting it right will give you and your employees the advantage – we are offering all Legal Island members a complimentary consultation.