



3D Financial Planning
Independent Financial Advisors

Choosing a staff benefits scheme

This guide provides an overview of selecting suitable benefits for your staff

Staff benefits are non-cash provisions within a pay and benefits package. They often carry significant financial value, for example paid holidays, pensions and company cars.

They were traditionally offered as a means of fulfilling what was considered a moral duty to look after employees. Since then, the reasoning behind offering them has changed slightly, but they remain an integral part of most businesses' rewards packages.

Flexible benefits have become increasingly popular in recent years. Also known as cafeteria benefits or flex plans, they allow employees to vary their pay and benefits packages according to their specific needs and circumstances.

Research by Staffcare found that more than 80% of businesses with more than 100 staff offer some form of flexible benefits scheme, compared with just 11% a decade ago.

One concern, however, is the employees' ability to make an informed decision as to which benefit is right for them. As such, more employers are now considering offering financial information and advice as part of their staff benefits package.

Advantages for employers

Like the salary you offer, your staff benefits scheme will have an impact on your employees. A well-considered benefits package can be advantageous for both the company and your employees.

Benefits Package



Business UPDATE

For example:

High calibre employees: Highly skilled employees have more employment options open to them. Offering an attractive staff benefits scheme could help your business to stand out and encourage high calibre candidates to join your team.

Reduce turnover: Your staff benefits scheme can also help to retain your best staff and help to ensure a healthy workforce that is off work for shorter periods of time during and after illness. Reduced staff turnover also minimises disruption and recruitment costs.

Providing benefits

As a business, you can either use internal resources to select and establish your staff benefits scheme, or you can outsource this to a benefits provider.

What you choose to do will depend on a number of factors including the level of benefits you wish to offer.

For example, if you are simply providing life or health insurance and a pension scheme, your HR department may be able to arrange this with some financial advice.

However, if you wish to offer more options, such as flexible benefits or voluntary benefit schemes, you may wish to consider using a benefits provider.

Many benefits providers offer online platforms that your staff can access, giving them more control over their own benefits.

We can help you to decide whether you might need a benefits provider. Please contact us to discuss your needs.



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Reporting staff benefits

Some benefits are tax-free and don't need to be reported.

These include:

- in-house sports facilities
- working from home costs
- mobile phones
- training expenses
- some childcare arrangements
- reasonable removal expenses if your employee has to move to take the job
- gifts, other than cash, providing any gift is not worth more than £250
- subsidised or free meals
- Christmas and annual parties
- your contributions to the group personal pension scheme.

However, many staff benefits do need to be reported to HMRC and both you and your employee may need to pay tax and national insurance on them, depending on the benefit. Benefits you will need to report include:

- company cars and car allowances
- risk benefits (but not death in service life cover schemes)
- health benefits, including dental and optical schemes.

Please contact us to find out more about the way these specific benefits need to be reported.

Types of benefit

There are several types of benefit available, allowing you to tailor an employee benefit scheme that suits both you and your workers.

Many benefits are also tax efficient, so it is worth getting advice to make sure your strategy is as efficient as possible.

Holidays and time off

Employers are obliged by law to offer a certain amount of paid annual holiday, though you may choose to offer paid holiday entitlements that are above the minimum level. The same goes for entitlement for other types of time off, such as maternity, paternity, adoption and parental leave.

Company cars and car allowances

You may choose to offer a company car, either because the job requires it or to recognise the status of the role.

These vehicles are taxed according to their CO2 emissions and value.

Alternatively, some employers prefer to pay a cash allowance to help with the purchase of a car, which is taxable, or compensate via mileage allowances, which will not be taxable if the payment rates are within HMRC limits.

Group pensions

If you do not have a workplace pension scheme in place it is important that you look into it now. By April 2015 all businesses with more than 50 employees will need to have auto-enrolment in place and businesses with fewer staff will follow close behind.

Employers will have to provide a qualifying pension scheme that meets the requirements of auto-enrolment and contribute a minimum amount (currently 1%) to the pension of qualifying employees. However, employers can contribute more than the minimum required for auto-enrolment if they wish.

Life, income protection and critical illness insurance

These benefits can be surprisingly affordable to provide and also offer your employees peace of mind and security. You may choose to offer just one of these benefits and it is worth researching which would be best received by your staff.

Private medical insurance

Private medical insurance can help you to ensure your employees receive medical attention quickly, minimising the time they are away from the workplace and disruption to your business. Private medical insurance can be expensive to provide but it is important to weigh up the potential returns for your business. You could also offer dental or optical health care.

Voluntary and flexible benefit schemes

Voluntary benefits are products and services that are available for your employees to buy, usually at a discount, out of their taxable income or sometimes via salary sacrifice arrangements. Examples include high street discounts, bikes for work and childcare vouchers.

We can advise on how to select employee benefits.

Important Notice

Pensions eligibility and the way in which tax charges (or tax relief, as appropriate) are applied depend upon individual circumstances and may be subject to change in the future. FCA regulation applies to certain regulated activities, products and services, but does not necessarily apply to all employee benefits planning activities and services.

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation. You should not make any investment decisions based upon its content. The value of pensions can fall as well as rise and you may not get back the amount you originally invested.