How can employers support employees with their cost of living challenges?

Employers within the Charity sector are looking at ways to help employees through this difficult period. We have recently seen some clients use a number of measures to try and help with the cost pressures for employees as well as help to enhance net pay.

We have also provided advice on practical factors employers should bear in mind when considering how these changes can be implemented. Just some examples include:

**Non-cash vouchers**

Employers could gift a one-off £50 non-cash voucher to employees to help with the increased living costs. A one-off non-cash voucher which meets the trivial benefits exemption will be tax and National Insurance Contribution (NIC) free for the employee and doesn’t attract NIC costs for the employer.

Under the trivial benefits exemption you can provide a £50 voucher to an employee as long as all of the following conditions are met:

- It is a non-cash voucher that is not exchangeable for cash (e.g. can only be used to buy goods/services)
- The value of the voucher is no more than £50 per award
- The reason for the award is not a reward for service or recognition of employment
- There is no contractual obligation to provide the voucher to the employee
- There is no expectation that the employee will receive the voucher from the employer

For Universal Credits, non-cash vouchers are potentially more tax and NIC efficient benefits. Unlike cash, they are not considered earnings for the purpose of the benefit entitlement calculation. This is regardless of whether or not the vouchers are taxable or exempt for tax and NIC purposes.

**Pension salary sacrifice**

For eligible employees - those earning above the National Minimum and Living Wage (NMW) – entering into a salary sacrifice arrangement for some benefits (i.e. enhanced employer pension contributions), can give rise to increased net pay due to the NIC savings generated. There will also be savings for the employer as there will be a reduction in the employer’s NIC payable too. This is therefore, a very popular arrangement for employees and employers to help individuals save for their retirement in the most cost-effective manner.
Care must be taken to ensure employees are not inadvertently taken below the NMW rates after the sacrifice is made each pay period.

**Interest free loans**

To help employees meet their increased utility costs this winter, employers can offer loans to those struggling to meet the increased demands on their monthly cash flow. Loans up to the value of £10,000 (aggregated with any other loan from the employer) will not give rise to a benefit in kind for the employee. The loan repayment can be made via net pay deductions, spread out to reduce the outstanding balance over time. Issues may arise if employees leave the organisation before the loan is repaid, which employers need to consider carefully. Also, provided that the loans are set up correctly and the deductions are taken from net pay, there should not be any adverse implications from a NMW perspective.

**Salary advance**

Some employers are using salary advances to help employees manage cash flow during months with expected high costs. For example, in January and February where energy bills are likely to be at their annual highest levels. If such arrangements are being used, there are important considerations around payroll and NMW compliance, as well as potential impacts on an employee’s Universal Credit entitlement. These should be considered to ensure the employee isn’t inadvertently impacted by a salary advance.

For those employers looking to use salary advance companies, designed to enable employees to receive part of their salary as they earn it (rather than waiting until pay day), please be mindful of the potential costs to employees accessing their salary early on a regular basis. Plus, the potential NMW pitfalls which may arise if not structured correctly. Proper due diligence on the implication of these arrangements is crucial for employees and employers.

**Changing pay frequencies**

Some employers are looking to change their pay frequency, i.e. from monthly to weekly to help with cash flow. Again, although this is seen as helping employees in the short term there can be unintended consequences in terms of NMW compliance and Universal Credit entitlements.

**Apprenticeship Levy funding**

Did you know that all employers can use Apprenticeship Levy funding to cover training costs for employees undertaking qualifying training courses (England only)?

Large employers (i.e. where their own or their group’s paybill exceeds £3m a year) can use their Apprenticeship Levy pot as ‘levy payers’, to fund qualifying expenditure on apprenticeship training. This will be the amount of levy paid for qualifying employees in England as well as a government top up of 10%.

Smaller employers (i.e. where their own or their group’s paybill is less than £3m a year), can share the cost of training and assessing their apprentices with the government, via ‘co-investment’. Through this scheme smaller employers can receive funding of up to 95% on qualifying training costs for employees engaged on apprenticeship agreements (for apprentices who started after 1 April 2019).

No employer NIC will be payable in relation to salaries paid to employees working via apprenticeship agreements under the age of 25, (for earnings are lower than the Upper Earnings Limit – i.e. less than £967 per week or £4,189 a month from 6 April 2023).

Further, employers might be able to get an additional payment of £1,000, depending on the apprentice you hire.

**Travel expenses (including mileage payments)**

The impact of rising fuel costs has led many organisations to consider if their expense policies, (especially mileage rates and travel allowances) are sufficient to reimburse employee expenses.

Where organisations have increased their mileage rates for company car or own car drivers, it is important to be mindful of the HMRC approved rates which allow these expenses to be paid tax and NIC free. Where organisations pay in excess of these rates (without HMRC agreement), then tax and NIC implications will arise for both the employee and employer, which need to be considered before changing policies.

For those employees with working from home arrangements, employers can pay up to £6 a week tax and NIC free to help with the extra costs of working from home. If this limit is exceeded, tax and NIC will be payable.
Mazars LLP is the UK firm of Mazars, an international advisory and accountancy organisation, and is a limited liability partnership registered in England with registered number OC308299. A list of partners’ names is available for inspection at the firm’s registered office, 30 Old Bailey, London EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.

© Mazars LLP 2023-01 39479