



**HMRC Consultation Document
Response from ICAS**

Consultation on salary sacrifice for the
provision of benefits in kind

19 October 2016

Consultation Document: Consultation on salary sacrifice for the provision of benefits in kind

About ICAS

1. The following submission has been prepared by the ICAS Tax Committee. The ICAS Tax Committee, with its five technical sub-Committees, is responsible for putting forward the views of the ICAS tax community, which consists of Chartered Accountants and ICAS Tax Professionals working across the UK and beyond, and it does this with the active input and support of over 60 committee members. The Institute of Chartered Accountants of Scotland ('ICAS') is the world's oldest professional body of accountants and we represent over 21,000 members working across the UK and internationally. Our members work in all fields, predominantly across the private and not for profit sectors.
2. ICAS has a public interest remit, a duty to act not solely for its members but for the wider good. From a public interest perspective, our role is to share insights from ICAS members in the many complex issues and decisions involved in tax and financial system design, and to point out operational practicalities.

General comments

3. ICAS is grateful for the opportunity to contribute its views on the consultation document 'Consultation on salary sacrifice for the provision of benefits in kind', published by HMRC on 10 August 2016.
4. We have restricted our observations to general comments rather than answering each of the ten questions in the consultation paper.
5. Some ICAS members have indicated their concerns about restricting the benefits that are to be available through salary sacrifice schemes, given that these are frequently an important part of a flexible benefits package. Particularly for those industries that tend to have a young and mobile workforce, such as in the IT sector, an attractive benefits package can be key to recruitment and retention.
6. Where tax and NIC costs increase, as may be the case when the tax advantages of salary sacrifice are removed, there are two possible results: employer costs increase or the overall cake is cut a different way with employees receiving less whilst the government receives more. These proposed measures are also likely to affect union negotiations if there is a prospect of the take-home package being cut.
7. Businesses are the administrators and collectors of payroll taxes and they have been beset by a series of changes imposed by government in recent years such as auto enrolment, RTI, and the apprenticeship levy. This proposal will lead to yet more change.
8. For smaller businesses the costs of introducing and managing changes are proportionately higher as, without dedicated in-house specialisms, advice needs to be bought in.
9. There is also concern amongst employers over the timing and operational aspects of this proposed change. Such tax changes require employers to make changes to their systems: they each require new processes to be bought in or to be built within employer's existing systems, at a cost, and which offers no benefits to the business.
10. This proposed change will result in two systems to be administered, being one of 'favoured' benefits such as pension contributions, childcare and bicycle provision, and the other being disallowed salary sacrifice benefits such as the provision of mobile phones. Different classifications inevitably make for further complications: and any overall objective to bring simplification to the UK tax system will not be met at all with this proposal.
11. For larger employers with in-house systems there will be limited resources to address competing needs of the business. In addition, IT programmes and processes can take time to design and implement to amend accounting and HR systems so any

commencement date for the new measures should factor this in. April 2017 is far too soon; April 2018 would offer a more appropriate time scale.

12. There are further difficulties if these proposals are implemented from April 2017. Some flex benefits programmes run from April to April, ie the tax year, and so are relatively easy to change. However, not all salary sacrifice schemes run on the tax year; they may be linked to the company's year-end or on a calendar basis. If the salary sacrifice period straddles 5 April 2017, employees will have signed up for a year before 6 April and, in fact they could already have signed up for a year now, say, 1 September 2016 to 31 August 2017. To resolve such issues, we recommend a start date of April 2018.