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3HR Legal Weekly

Employee Benefits

Autumn 2017 Budget Summary

The latest budget was announced on Wednesday 22nd November. There were no major changes to the rules around employee benefits, and it was positive to see no increase to Insurance Premium Tax (IPT). IPT has increased over the last four years from 6.5% to 12%, and has had the effect of increasing the premium costs for any employer providing either Private Medical Insurance or Group Travel Insurance for their staff. It was feared that we would see a further increase, but thankfully this did not happen. The changes that were announced are summarised below:

Income tax

The personal tax allowance will increase to £11,850 from 6 April 2018 and the point at which higher rate of Income Tax will apply will increase to £46,350 from 6 April 2018. This will result in higher rate tax payers being roughly £50 a month better off.

The dividend allowance will be cut to £2,000. This change will hit small and medium sized business owners who take their profits as dividends. This could make employer pension contributions an even more attractive way of extracting profits from a business. Capital gains tax allowance will increase by £400 to £11,700.

Pensions

The lifetime allowance (LTA) will increase in line with inflation, as measured by the Consumer Price Index, from £1,000,000 to £1,030,000 for the 2018/19 tax year. The LTA is the limit that an individual can save into a pension scheme over their lifetime, before a lifetime allowance charge is applied. Employees approaching this limit may choose to opt out of their workplace pension scheme and request that they receive alternative benefits from their employers. There is no obligation for the employer to agree to such a request.

Employee pay

On the recommendation of the independent Low Pay Commission (LPC), the national living wage will increase by 4.4%, taking the current minimum level of pay for individuals aged 25 and over from £7.50 an hour to £7.83 an hour. The LPC estimates the increase to the national living wage will impact over two million workers, many of whom will be working in the retail and the hospitality sector.

Tax relief

The government has announced that tax relief for employer premiums paid into life assurance schemes and certain overseas pension schemes will be reformed from April 2019. It is likely that more information will be provided in the 2018 budget.

Company cars

The existing company car tax diesel supplement will increase from 3% to 4% in April 2018. This will only apply to diesel cars that do not meet the latest emissions limits. Fuel benefit charge and the van benefit charge for company cars will both increase in line with the retail price index (RPI) from 6th April 2018.

Employees who charge their electric vehicles at work will not incur a benefit-in-kind charge on the electricity used. The announcement is part of the government's focus on electric vehicles, which includes a new £400 million charging infrastructure fund.

Colin Minty
Manager—Employee Benefits
E: colin.minty@3hrbc.com



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The registered office of both 3HR Corporate Solicitors Ltd and 3HR Benefits Consultancy Ltd is New Broad Street House, 35 New Broad Street, London EC2M 1NH. Mainline Tel: 0207 194 8140 Web: www.3hrbc.com