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101 Employer and Employee Tax Tips

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About This Guide

The opportunities for employees to legitimately reduce the tax that they pay are more limited than for the self-employed and those operating through a family company. However, the tax legislation includes a surprisingly large number of exemptions and reliefs, which make it possible for employers to implement tax-efficient remuneration strategies and to provide elements of the remuneration package free of tax.

This guide contains 101 tax tips for employees and employers. It highlights various exemptions and reliefs available to employees, methods for saving work and strategies for tax-efficient remuneration.

However, it should be noted that tips in this guide are for illustration purposes only and are intended to demonstrate where tax savings can be made. The savings that can be made will depend on the precise circumstances and the examples are a guide only.

Professional advice should always be sought.

Chapter 1: Tax-Efficient Remuneration

1. Designing A Tax-Efficient Remuneration Package
2. Salary Sacrifice Arrangements Can Still Be Beneficial
3. Beware The Alternative Valuation Rules For OpRAs
4. Take Advantage Of The Transitional Rules Applying To The Alternative Valuation Rules
5. Choose Non-cash Benefits To Save Employee NICs
6. Salary Plus Benefit Rather Than Salary Sacrifice

1) Designing A Tax-Efficient Remuneration Package

A typical remuneration package comprises a number of elements. Some of these are subject to legislative control. For example, employers must pay employees in accordance with the National Minimum Wage legislation, paying at least the National Living Wage to workers aged 25 and older and, for workers under the age of 25, at least the National Minimum Wage for their age. In addition, employers must comply with the equal pay legislation and provide paid holiday at least equal to the statutory minimum. However, other aspects of the remuneration package are at the discretion of the employer.

In setting the remuneration package, the employer must have regard to a range of factors, including the culture of the organisation, market conditions and industry norms. Within these parameters there are opportunities to structure the package to take advantage of the various tax and National Insurance exemptions and reliefs available. These can generate tax and National Insurance savings for the employee and National Insurance savings for the employer.

The opportunity to save tax and National Insurance should be taken into account when designing a remuneration package. However, as always, this is only one element and all factors affecting the pay and performance culture of the organisation should be considered.