

OpRA; Salary Sacrifice, Flexible Benefits, Cash Alternatives & P11D

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General Information

This document details the SD Worx service for OpRA such as Salary Sacrifice that applies from 6th April 2017 onwards. It details the employer's obligations, the process for OpRA such as Salary Sacrifice, the key dates and trigger points.

There is a host of information available on the SD Worx website

www.sdworx.co.uk/resources

www.sdworx.co.uk/tye

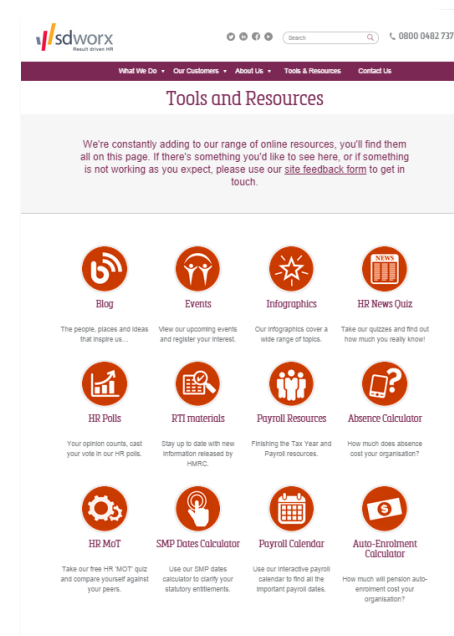
www.sdworx.co.uk/specialist-payroll-services

www.sdworx.co.uk/rti/resources

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OpRA/Salary Sacrifice with SD Worx

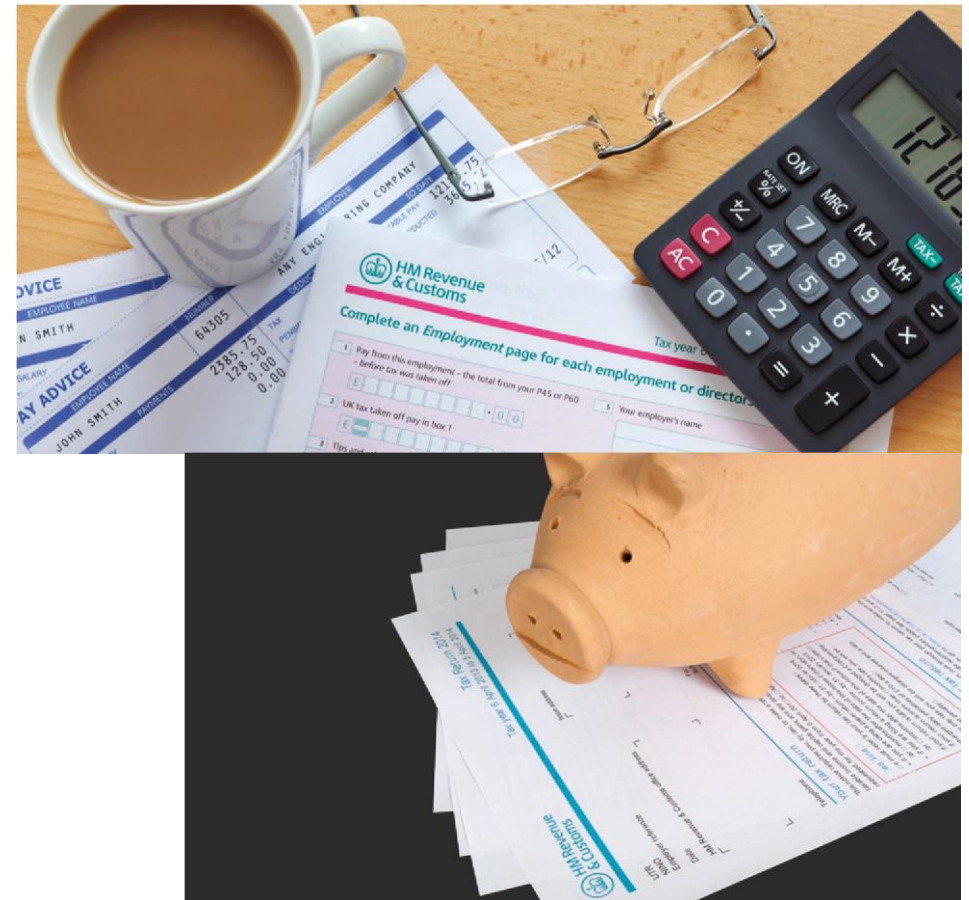
Introduction

New statutory rules came into effect on 6th April 2017 for Benefits in Kind (BIK) where they are provided by 'Optional Remuneration Arrangements' (OpRA) such as salary sacrifice schemes.

If you provide benefits to your employees in exchange for salary sacrifice/salary exchange or have a flexible benefits package where your employee can choose a benefit or take cash, or where you provide benefits but offer your employee alternative cash then you are affected and need to know about these changes.

Benefits impacted are those which are currently benefit taxable, like cars and technology goods, and those currently tax exempt, like mobile phones and workplace parking.

The taxable value of the benefit will be the higher of the current benefit tax value or the cash foregone. This will be the value you use for calculating Income Tax and Class 1A National Insurance Contributions (NICs).



Employers – What do I need to do and when?

What do I need to do?

If you are using OpRA such as salary sacrifice with your employees you need to familiarise yourself with the OpRA rules.

You don't need to do anything if your employees are sacrificing salary only for pensions, pensions advice, childcare vouchers, workplace nurseries, directly employer contracted childcare, cycle to work or cars with emissions of or under 75g CO₂/km

If you have OpRA arrangements for anything else, then you need to use the new rules. You will report different taxable values in many cases, on the new P11D (see 'What changes will I need to make in my payroll/HR software').

When do I have to do this by?

The rules started from 6 April 2017. OpRA and Salary sacrifice contracts entered into on or before 5 April 2017 are protected until the contract hits a trigger point.

What is a trigger point?

The normal trigger point is when the salary sacrifice contract renews, auto-renews, starts, ends or is modified or changed. At this point you must use the new rules for this individual going forward. This should align with your normal business as usual contractual arrangements.

However, if the existing contract is still in place on 6 April 2018, then there will automatically be a trigger point on 6 April 2018 (this will be 6 April 2021 for cars with emissions over 75g CO₂/km, accommodation benefit and school fees).

If an employee starts a new contract you will need to immediately use the OpRA rules for that employee and benefit.

What Salary Sacrifice items remain tax and NICs efficient?

The following arrangement remains tax and NI efficient:

Pensions

Employer payments into registered pensions schemes and employer provided pension advice.

Childcare

Employer provided childcare in the form of vouchers (up to the relevant BEA limits), workplace nurseries or directly contracted childcare.

Bicycles

Including safety equipment, i.e. cycle to work schemes

Ultra low emissions – cars

(<= 75 g CO2/km): Whether Car allowance or Salary Sacrifice ECO cars with the limit remaining under review



What other Salary Sacrifice items have no change position?

Benefits that are already subject to Tax and Class 1A NICs are not impacted by the change as the position is status quo. For example: for Medical and Dental Insurance the position is identical with no change.

Holiday flex

This is not impacted as the cash received was subject to tax and Class 1 NICs regardless.

Shopping Vouchers

Please note that although Shopping Vouchers were already subject to Tax and Class1 NICs, no longer is this applied to the purchase price of the vouchers but to the sacrifice value (if higher).

Any other OpRA (salary sacrifice or cash alternative) that reduced both Tax & Class 1 NI but attracted no Class 1A liability is impacted by the change.

What types of OpRA arrangement are affected?

Company Car or Cash schemes

Potentially the benefit value will be the cash amount if higher. For cash takers there is no change.

Car Parking

Where car parking is provided by OpRA, then the amount foregone is not subject to Tax and Class 1A. Where Car Parking is provided free of charge with no OpRA arrangement, then there is no impact.

Flex Down Options

Please note that schemes that offer flex down options trigger the cash alternate trigger OpRA impacts on the cash reduction difference as that is termed the amount foregone.

Mobile Phones and Technology Scheme

(TVs, Computers, iPads, iPhones etc.). The sacrifice amount will become taxable as a benefit. And at the end of the OpRA arrangements the continued use of the asset becomes taxable.

This list is not exhaustive, any other additional salary sacrifice arrangements will be caught by the change.

Transitional Provisions (Grandfathering)

Where an agreement has been entered before 5th April 2017, the new OpRA rules only come into effect from:

- the start, variation, renewal or auto-renewal of the agreement
- 6th April 2018, or for cars, accommodation and school fees - 6th April 2021

For all new agreements entered into on or after 6th April 2017, the new rules have immediate effect.

I am voluntarily payrolling, what do I need to do?

For the majority of benefits, most employers will be able to change one taxable value for another. SD Worx can assist with the process by changing existing codes or creating new allowance/deduction codes.

Employers will need to make sure the right figure is being payrolled after a trigger point is hit, this is especially important for cars.

For 2018/2019, HMRC required car data for those voluntarily payrolling company car benefits. These new requirements collect information such as availability, CO2 emissions and the list price etc.

Services SD Worx can provide

SD Worx can offer various services dependant on whether you are grandfathering, stopping an existing scheme (allowance), adding a new scheme (allowance) or a mixture of these.

Allowance only set up and allowance changes

If you are aware of the salary sacrifice codes that require amendment or have a requirement for new codes to be set up, complete the response form.

PBIK service - Voluntary Payrolling Benefits In Kind (PBIK)

From the start of the 2016/2017 tax year, employers under The Income Tax (Pay As You Earn Amendment No.4 Regulations 2015), which came into force on 14th December 2015, were given the option to choose to account for the tax on benefits in kind provided to employees through the payroll operation of PAYE each pay day and without the need to submit form P11D after the end of the tax year. SD Worx can provide PBIK services for you to payroll your benefits in kind. Please see our PBIK guide in our web resources page.

Managed P11D service

SD Worx offers a fully managed P11D service which captures, records, calculates and reports the employers P11D to HMRC.

Useful for those employers who provide benefits which are either not allowed to be payrolled, or have some employees who are not included in payrolling and therefore subject to P11D reporting requirements. Equally some employers may prefer to issue their employees with a P11D recording the benefits they receive.

Please see our Managed P11D guide in our web resources page: [Managed P11D Service](#)

Class 1A payment/disbursement

This service can be provided by SD Worx Managed P11D service and can facilitate the BACS transfer and payment to HMRC on behalf of the employer prior to the 19th July annual deadline, subject to the relevant information being available on time.

For more details on form P11D(b) see:

www.gov.uk/government/publications/payee-end-of-year-expenses-and-benefits-p11db

P11D Software

SD Worx offers P11D software which enables employers to undertake their own recording, calculate benefit values (for PBIK or P11D) and also enable the reporting of P11Ds to HMRC for those benefits or those employees who remain subject to P11D.

Web Resources

The following web resources relate to Salary Sacrifice, the payrolling of benefits in kind, P11D benefits in kind

HMRC Autumn statement

<https://www.gov.uk/government/news/autumn-statement-2016-some-of-the-things-weve-announced>

HMRC Employer Bulletin

<https://www.gov.uk/government/publications/employer-bulletin-october-2017>

Voluntary Payrolling Benefits in Kind (PBIK)

[PBIK Guide](#)

Managed P11D

[Managed P11D](#)

SaaS P11D

[P11D SaaS Enquiry](#)

For general information on payrolling:

<https://www.gov.uk/guidance/paying-your-employees-expenses-and-benefits-through-your-payroll#using-the-online-service>

<https://www.gov.uk/government/publications/payrolling-benefits-in-kind-draft-guidance/payrolling-benefits-in-kind>

Information on Optional Remuneration Arrangements (OpRA):

<https://www.gov.uk/government/publications/optional-remuneration-arrangements/optional-remuneration-arrangements>

To register for payrolling with HMRC:

<https://www.tax.service.gov.uk/payrollbik/sign-in?continue=/payrollbik/payrolled-benefits-expenses>

To account for Class 1A liabilities, continue to use form P11D(b):

<https://www.gov.uk/government/publications/payee-end-of-year-expenses-and-benefits-p11db>

For information in relation to benefits and expenses provided by employers:

<https://www.gov.uk/employer-reporting-expenses-benefits> <https://www.gov.uk/expenses-and-benefits-a-to-z>

You may also be interested in our recently refreshed Expenses and benefits from employment toolkit. Expenses and benefits from employment toolkit

Linkedin articles published by P Simon Parsons:

https://www.linkedin.com/pulse/salary-sacrifice-flexible-benefits-withand-cash-hr-p-simon?trk=pulse_spock-articles

https://www.linkedin.com/pulse/some-salary-sacrifice-advantages-ended-parsons-m-sc-fcipddip-mbcs?trk=pulse_spock-articles

<https://www.sdworx.co.uk/blog/serious-threat-to-cash-or-benefit-arrangements>

For further services SD Worx can provide: [Enquire](#)

Questions and Answers

So, what is the impact for HR and Reward/Benefit Managers?

These changes have significant impact on the well-being and benefit arrangement undertaken between employer and employees. They impact contractual terms and conditions.

Employer, their HR and Reward/Benefit managers (assisted by payroll) need to undertake assessment and validation of their OpRA salary sacrifice/alternative cash arrangements to assess:

- Whether terms and conditions require review and change - especially if there is a benefit or cash alternative choice - should these be ended?
- Whether provider relationship will require review and change and options removed.
- Whether the benefit arrangements are to continue post impact and the impact on employee tax position and the employers additional 13.8% Class 1A liability.
- What to do about grandfathering and transitional arrangement timings - is a dual benefit provision service required? - some under the old and some under the new. This will impact potentially the three change points!
- Whether a last-minute rush promotion is of benefit before the cut-off deadline - is it worth offering some last opportunity once off for 12-month salary sacrifice arrangements?
- To assess the remaining tax and NI efficiency and how the liability must be changed and when to apply.
- Decide on whether any resulting benefit is payrolled or reported on P11D and how the Class 1A is to be accounted on the P11D(b).

What action for Payroll?

Our payroll software will allow configuration of the pay elements to be what the employer requires, however, the settings configuration will need to change. Whether the resulting tax amount is payrolled formally (with no P11D) or informally (with P11D tax already paid) or not (with P11D taxed as a benefit).

For example, salary sacrifice car parking arrangement will change from being non-taxable to taxable. If this is operated as a salary sacrifice with a pay cut, then the setting would change from Taxable (to reduce tax gross) to non-taxable (to no longer reduce tax gross) - or the benefit value will need to be reported on the P11D.

Glossary

Salary Sacrifice

You give up part of your salary and, in return, your employer gives you a non-cash benefit, such as childcare vouchers, or increased pension contributions. Once you accept a salary sacrifice, your overall pay is lower, so you pay less tax and National Insurance.

Benefit In Kind

Benefits in kind are benefits which employees or directors receive from their employment but which are not included in their salary cheque or wages. They are sometimes called 'perks' or 'fringe benefits'. They include things like company cars, private medical insurance paid for by the employer and cheap or free loans.

Specified Benefit

Any benefit amount treated as earnings when operating voluntary payrolling.

Making Good Payment

Payment referred in regulation 61E(2) or 61G(2)(b) where the employee reimburses the cost of the benefit provision to the employer.

Specified Employee

An employee to whom an employer provides a specified benefit.

Taxable Amount of the Benefit

The amount that is subject to voluntary payrolling or the benefit amount to be reported on the P11D.