

OPTIONAL REMUNERATION ARRANGEMENTS (OpRAs)

KEY INFORMATION

- Introduced into legislation with effect from 6 April 2017. Grandfathering exists for arrangements in place prior to this date for one year in most circumstances. Therefore new arrangements since 6 April 2017 need to be considered for the 2017/18 P11D reports.
- Looks to address HMRC concerns that salary sacrifice arrangements have been abused, however, the legislation is widely drafted and is not straightforward and covers where an employee has been provided with a benefit in return for giving up salary, flexible benefit arrangements and trade up/ trade down arrangements.
- OpRA benefits are taxable in the same way as other benefits, but are valued differently. Benefits currently subject to Class 1A NIC remain taxable under these provisions, whereas those liable to Class 1 NIC, remain taxable as Class 1 NIC. Reporting requirements remain the same.

WORKPLACE PENSIONS

The new legislation introduces the concept of “Type A” and “Type B” arrangements. In some cases an arrangement can include an element of both!

TYPE

A

An employee gives up the right to receive an amount of earnings in exchange for receiving a benefit – e.g. a salary sacrifice arrangement will fall into this category.

TYPE

B

An employee agrees to be provided with a benefit rather than an amount of earnings – such as a flexible benefit arrangement.

HOW ARE BENEFITS VALUED?

Under OpRA, the taxable benefit will be calculated on the **GREATER** of:

- The “specified amount” under “normal” BIK principles; or
- The “amount foregone” equal to the salary sacrifice, cash alternative, trade up/down amount.

The greatest impact will be for a benefit which would have been exempt under the BIK rules, but is now caught by the legislation – for example, car parking salary sacrifice arrangements – but any arrangements where an employee receives a different value benefit than the amount foregone will give rise to a potentially unexpected tax position for the employee and company.

WHAT BENEFITS ARE CAUGHT?







HMRC have identified the following “excluded exemptions” which are not caught under these arrangements:

- Payments into registered pension schemes;
- Childcare vouchers, workplace bursaries and **directly** contracted employer provided childcare;
- Cycles and cyclist safety equipment;
- Ultra-low emission Cars with CO2 emissions of no more than 75g/km;
- “Intangible” benefits – such as purchasing holiday and flexible working hours.

However, all other arrangements may possibly be caught and will need to be considered if the situation can fall within the definition of “Type A” or “Type B”.

DID YOU KNOW?

Some benefits can be provided to employees without any income tax or NIC consequences for the employee and employer. The list includes:

-  ‘Trivial’ gifts of up to £50 per person
-  Certain childcare support
-  Staff canteen
-  Mobile phones
-  Workplace parking
-  Eye tests for employees using Visual Display Units

The benefit package you offer can play a significant role in recruiting and retaining key employees. If you would like to review and discuss your options further, please contact us for expert advice.

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