

TAX RULES AND THE PURCHASE OF OCCUPATIONAL HEALTH SUPPORT

Introduction

Business and industry needs healthy workers and safe workplaces. To achieve this employers may sometimes wish to buy specialist advice or special equipment or to provide advice and health care to those who work for them. This leaflet sets out in broad terms the tax and National Insurance Contributions (NICs) treatment of these purchased services, as agreed with the Inland Revenue.

Determining the tax and NIC treatment of Occupational Health Support, requires consideration of:

- i) whether deductions for employer's expenditure are allowable against the employer's business profits; and
- ii) benefits for the employee.

Deductions for Employers Expenditure

An employer will be able to claim a deduction against business profits in making payments to employees, provided the expenditure is wholly and exclusively for the purpose of business. If significant alterations or improvements result from the work done, the expenditure is not deductible but may qualify for capital allowances that can be set off against trading profits.

Employee Benefits

The benefit of private medical care provided free or cheaply by employers to employees is generally subject to tax on the employee. If tax is due, there will also be National Insurance Contributions (Class1A) due from the employer on the same amount as for tax. There are however circumstances where a benefits charge does not arise on health related items, as follows: -

- (i) Work-related conditions or accidents

Where an injury or condition derives solely and directly from the employee carrying out his duties, e.g. a firefighter receiving employer financed treatment for burns or stress in tackling a fire, or for other accidents or conditions which derive solely from the employee carrying out his or her job, the cost of the treatment would not be chargeable.

(ii) Health screening and check-ups

The cost of health screenings and check-ups is not a chargeable benefit.

(iii) Welfare Counselling

Employer provided welfare counselling was made exempt in August 2000 whether provided in-house or brought in from outside specialists but this exemption does not extend to costs of medical treatment. This exemption covers a wide range of advice on health matters, e.g. stress, depression, marital/family problems, alcohol abuse, stop-smoking guidance, back pain clinics.

(iv) Equipment and services for disabled workers

Regulations (Statutory Instrument 1596/2002¹ made in June 2002 exempt items specially provided for disabled people to do their job but which may also be used significantly outside work (such as hearing aids and wheelchairs).

(v) Recreational and sporting facilities

Employee-only gyms, sports fields, exercise classes and other recreational facilities available to employees generally are also exempt (but not the cost of subscriptions to gyms or facilities which are open to the public).

¹Can be accessed at <http://www.inlandrevenue.gov.uk/pdfs/emp2003/480-03.pdf>

N.B. It is important to be aware that these benefits exemptions do not apply if the provision is by way of the employer giving the employee money to pay for these items, or meeting the employee's own liability to pay for them. In these cases the money will generally be treated like salary, on which, in addition to tax on the employee, liability to Class 1 NICs - both employer and employee - will apply.

The following examples illustrate the rules regarding both a deduction or allowance against business profits for the employer and benefits provided to or for the employee. (As noted, where the item is taxable on the employee, the employer will generally be liable for Class 1A NICs.) But it must be remembered that they are illustrative only; whether a particular health item or service paid for by the employer for an employee is exempt or not may depend on the precise circumstances.

Example 1

The manager of a small business offers staff who are suffering from chronic back pain some money (£25) towards paying for chiropractor or physiotherapy treatment which they arrange for themselves.

Deductibility for the employer

An employer's expenditure in making payments to employees is deductible in computing the employer's taxable profits unless the employer has a non-business (for example a personal) reason for making the payments.

Employee benefits: tax and NICs position

The cash amount the employer gives to the employees is treated like salary in their hands liable to tax and Class1 (employer and employee) NICs.

N.B. There is no suggestion that the back condition arises solely from the job, so the cost of treatment would not be exempt even if provided as a `benefit`, ie arranged and paid for direct by the employer.

Example 2

An experienced office worker, whom the business would be sorry to lose, is confined to a wheel chair following a car accident. The worker wants to return to work but the workplace will need modifications: ramps to external doors, a disabled toilet, new office furniture for the worker and some other internal refurbishment because the worker needs an office on the ground floor. The worker also needs modifications to their car to get to work and has asked for help with purchasing “a state of the art” wheel chair.

Deductibility for the employer

Expenditure in refurbishing and making minor modifications to the business premises will be deductible in computing the employer's taxable trading profits

If significant alterations or improvements result from the work done the expenditure will be capital expenditure, and will be taken into account for capital gains purposes, rather than in computing the employer's trading profits.

Buying new office furniture also involves capital expenditure, but this will qualify for capital allowances which can be offset against the employer's trading profits to arrive at the amounts chargeable to income tax or corporation tax.

Money given by the employer to the employee to modify their car or buy a new wheel chair will normally be deductible in computing the employer's taxable profits (see Example 1).

N.B The rules here are the same whether the expenditure is incurred by the employer as a `reasonable adjustment` under the Disability Discrimination Act or otherwise.

Employee benefits: tax and NICs position

The provision of new or modified work equipment at the office has no employee tax or NICs consequences. As regards the new wheelchair or the modifications to the employee's own car, the consequences of giving money to the employee are set out in Example 1. (N.B. If on the other hand, it is the employer who is providing the wheelchair because it is needed for the employee's work purposes - for example as a reasonable adjustment under the Disability Discrimination Act - the exemption referred to at paragraph 3(iv) above could apply).

Example 3

A local gym is offering a promotion. The business can join as a “patron” and employees will receive half-price membership. As a “business patron” the company would arrange for all employees to receive an annual “check up” from a private health provider.

Deductibility for the employer

The annual cost of being a “patron” can be offset against tax, unless there is any non-business reason for the employer’s decision to patronise that particular gym.

Employee benefits: tax and NICs position

The health check-ups are exempt, but the cost of the (public) gym membership met by the employer is a chargeable benefit for tax and the employer will pay Class 1A NICs

Example 4

A local health promotion service has suggested they spend a day in the workplace to give employees an opportunity to have a health check up, blood pressure, cholesterol, heart rate, diet questionnaires etc. The day will include a talk about workplace health and safety and there will be an emphasis on keeping healthy at work. There is a charge for the day.

Deductibility for the employer

The employer can offset the charge against tax.

Employee benefits: tax and NICs position

The health checkups and counselling are exempt.

Example 5

A company is so pleased with the services provided by a local health promotion service that they decide to make the service regularly available and arrange with the provider to extend the service to provide holiday vaccinations.

Deductibility for the employer

The employer can offset the charge against tax.

Employee benefits: tax and NICs position

The health checkups and counselling are exempt but the cost of the holiday vaccinations are not. The cost of the holiday vaccinations met by the employer is a chargeable benefit for tax and the employer will pay Class 1A NICs

Example 6

The business is a plastics moulding company. A number of employees have complained of headaches and sickness absence is rising; this recently caused you to miss the deadline on an important order. A ventilation engineer has said the system meets health and safety requirements; employees have argued it clearly needs replacing.

Deductibility for the employer

The cost of consulting the engineer is an allowable business expense. As regards the cost of improvements or replacement: repairs to equipment are an allowable business expense. Expenditure on improving or replacing equipment is not deductible in computing trading profits, but is likely to qualify for capital allowances that can be set off against trading profits.

Employee benefits: tax and NICs position

The cost of the improvements to the building is not a taxable benefit on the employees.

Example 7

An employee who uses display screen equipment a lot has complained of headaches, back pains and pains in their right wrist. The employee says he has continued to suffer from back and wrist pains and has asked for an “ergonomic chair and keyboard”. He is currently off sick waiting to see a consultant about his back. He is a key worker and you really need him in the office.

Deductibility for the employer

The cost of employing an ergonomist to assess the employee's workstation can be offset against tax, as can the cost of any medical treatment to the employees which the employer might pay for unless there was a non-business reason for paying for the treatment of a particular employee.

For the cost of a new chair and keyboard capital allowances may be claimed.

Employee benefits: tax and NICs position

There is no charge on the equipment provided in the office for work use. As regards payments for medical treatment met by the employer, if the condition has arisen solely from the job there would be no tax charge or NICs liability on such payments; but otherwise there would be.

Example 8

The employer runs a small photocopying, printing and sign making business. An employee who usually works in the shop, standing all day operating photocopiers and serving customers has injured his back in a DIY accident at home. He cannot stand all day and the injury prevents him from doing his job. His doctor has referred him for treatment, but the waiting time is weeks. You have arranged for him to receive treatment from a local physiotherapist and agreed to pay the physio directly for this.

Deductibility for the employer

The employer could offset the money paid against tax

Employee benefits: tax and NICs position

The cost of the treatment would be chargeable on the employee since the condition does not arise from his work. The employer would be liable for Class 1A NICs

Example 9

The employer has a large data input section in which staff use keyboards for most of the day. He is careful to ensure that the workstations meet DSE requirements and uses a consultant ergonomist on a regular basis. One of the employees has started complaining of severe pains in her left wrist. The employer knows she is also a keen amateur violinist and suspect the pains are as much to do with that as with her work. The employee has said she intends to go on playing the violin for as long as she can. The ergonomist has suggested modifications such as a new keyboard and mouse and/or a voice activated computer.

Deductibility for the employer

Capital allowances may be claimed for the costs (consultant and equipment) incurred.

Employee benefits: tax and NICs position

There is no tax charge on the employees, or NICs liability, for the cost of new work equipment (or the associated consultant's fees) provided on the employer's premises.

Example 10

Following a workplace accident, for which the employer has admitted liability, an employee has lost a leg. The employee wishes to come back to work, however this will mean modifications to their work place (machinery changes).

Deductibility for the employer

The consultancy fees are deductible in computing the employer's taxable trading profits. Expenditure on new machinery is not, but will qualify for capital allowances that may be set off against the trading profits.

Employee benefits: tax and NICs position

There is no employee benefits charge resulting from this workplace expenditure.

Further Guidance

If further guidance is needed on the tax and NIC treatment of Occupational Health Support you can contact

- The **Employer's Helpline on 0845 7 143 143** for guidance in relation to **employee benefits**. The helpline is available from 8am to 8pm Monday to Friday and 8am to 5pm at weekends.
- Any **Inland Revenue office or Enquiry Centre** for guidance on **whether purchases are allowable as a deduction against business profits**. Addresses and telephone numbers are in your local telephone book under 'Inland Revenue'. Most offices are open to the public from 8.30am to 5 pm, Monday to Friday, and some are also open outside these hours.