

## ARTICLE BY SHEEN STICKLAND LLP, CHARTERED ACCOUNTANTS, ON THE TAX IMPLICATIONS OF EXPENDITURE INCURRED BY EMPLOYERS ON OCCUPATIONAL HEALTH MATTERS

---

### To what extent is tax relief available for the costs we incur on occupational health matters?

The general principle is that on-going (revenue) costs incurred by a business wholly and exclusively for the purposes of its trade are tax deductible. It is to be expected therefore that most of the costs incurred on occupational health will be allowable, with the exception of capital expenditure i.e. expenditure on the acquisition of enduring assets.

Relief should therefore be available for the cost of the following:

- Your annual subscription to “Constructing Better Health”,
- Taking advice from occupational health specialists,
- The provision of occupational health advice and services to your workforce, both generally and for specific employees. This would include protective clothing and small equipment such as masks or ear defenders for your employees’ use, training on working safely on sites and in safe use of equipment etc and services more generally for their welfare such as health screening and sports facilities.
- The cost of an insured sick pay scheme.

Alterations to property and the provision of larger items of equipment are likely to be capital and therefore not allowable. No tax relief is normally available for alterations to a building however Capital Allowances are usually available on items that qualify as plant and machinery. This will include plant, machinery, equipment, computers, furniture etc. Capital Allowances give tax relief for the cost of qualifying assets over a period of years. The relevant allowances comprise:

- The Annual Investment Allowance at 100%. This means that the first £25,000 of expenditure per annum can be set off against tax in full (note this is not available for cars but does include vans).
- Writing Down Allowances on a reducing balance basis. This means that a percentage of the cost can be set against tax in the year of purchase. This amount is then deducted from the cost and in the second year the allowance is calculated by taking a percentage of the remaining balance and so on. The percentage rates from 1<sup>st</sup> April 2012 are 18% on most types of plant & machinery and 8% on “integral features”, i.e. plant that is effectively part of a building. Principally this will be the water, heating & air-conditioning systems, electrical systems and lifts but surveillance, fire alarm and burglar alarm systems will qualify for the 18% rate.
- Cars with emissions of 160g/km or less (130g/km or less from April 2013) get Writing Down Allowances at 18% and those with emissions more than 160g/km (130g/km from April 2013) get Writing Down Allowances at 8%.

There are no specific rules on adaptations required to business premises by the Disability Discrimination Act 1995 and work carried out as a requirement of this will be treated under the normal rules. However HMRC have some useful guidance on the application of the rules to the normal types of work required at [www.hmrc.gov.uk/specialist/disability-act-guidance.htm](http://www.hmrc.gov.uk/specialist/disability-act-guidance.htm)

### What about the tax treatment of benefits in kind provided to our employees?

Payments of normal wages or salary to an employee or the payment of an employee's personal bills are required to be put through the payroll and are thus subject to PAYE and Employees and Employers National Insurance (Class 1).

The cost to the employer of the provision of benefits in kind is also taxable on the employee and is declared by the employer on Form P11D. The employer is liable to pay Class 1A National Insurance.

There are specific rules for the calculation of the benefit in kind on the provision of some benefits such as cars, vans and living accommodation.

However there are various exemptions which mean that some benefits provided may not be taxable on the employee and similarly National Insurance is not payable by the employer. These include the cost of:

- The use of assets and services provided solely for the employee to perform the duties of the employment where any private use is not significant. This would include such things as uniforms, protective clothing (but not "normal" clothing suitable for general wear) and protective equipment e.g. helmets, goggles, ear defenders etc. However this category cannot extend to the use of a car or van or alterations to a person's home.
- Sporting & recreational facilities - these must be available to all employees and must be provided in-house, i.e. not at a facility open to the general public such as a commercial gym (subject to detailed conditions).
- Eye tests and corrective glasses for employees who are required to be provided with this under Health and Safety legislation
- One health screening and one medical check per employee up per year (this does not extend to medical insurance or treatment).
- Welfare counselling - this can include advice regarding health related conditions (such as quitting smoking) but again this does not extend to the cost of medical insurance or treatment. Also not included is advice on finance, tax or legal matters (except debt counselling) nor leisure/recreation.
- Personal assets or services to enable a disabled employee to perform the duties of his employment (e.g. a wheelchair or hearing aid)
- Provision of home to work transport for a disabled employee.
- Use of a car adapted for a disabled employee's specific needs which is provided solely for home to work travel.
- Alternatively if the car is also to be made available for other private use then the charge on the benefit in kind can be reduced by calculating it by reference to the equivalent non-automatic version and/or excluding the cost of any accessories added purely to enable the disabled employee to use the car.
- Lump sums under a life, accident or sickness policy not normally taxable though regular payments under a sick pay scheme are likely to be taxable as cash earnings.

Please note that if you do not as a matter of policy provide protective clothing and small tools for your employees then they will be able to claim a flat rate expense allowance against their own tax liability if they are required to provide these themselves to enable them to perform their duties.

We should emphasise that the industry includes a large number of individuals who work for construction companies as subcontractors and are not employees of the business. It is worth noting that the availability of benefits in kind is one of the factors likely to be taken into account when considering whether a particular worker is an employee or a self employed subcontractor. The

general costs incurred by a business on health & safety do not pose any problem but it would be prudent to not offer specific benefits in kind to subcontractors.

### VAT

Input tax incurred on business costs including the costs of occupational health should normally be deductible in the normal way.

Zero-rating is applicable to some supplies to disabled persons etc but this is available only be the supply is being made to individuals or certain charities so is not likely to be relevant.

### Please note

The above points are general statements of the tax legislation as at March 2012. All businesses are different and you should consult your own accountant or tax adviser in relation to your individual circumstances.

No liability is accepted by Sheen Stickland LLP for any loss resulting from reliance on any statement made in this article.

**SHEEN STICKLAND LLP, CHARTERED ACCOUNTANTS, ARE BASED IN ALTON, HAMPSHIRE AND CHICHESTER, WEST SUSSEX.**