

Doing business in the UK – how to pay your staff

When doing business in the UK, one of the most important considerations is how to pay and incentivise your staff, whether they are permanent or seconded from overseas.

When your business is international, this becomes complex. There is no single solution for every international business, so here we consider several options, including the less obvious.

Salary

Salary is usually paid monthly with income tax deductions plus employee and employer national insurance payable to HMRC in real time. All UK salary-related payments are usually fully expensed and tax-deductible.

National insurance exemptions for secondees

Where individuals come to work in the UK temporarily, a period of exemption from UK national insurance for both the employer and employee can be agreed, leading to a significant UK saving for all concerned. Failure to claim or understand these exemptions can result in unnecessary costs to your business and it can be a time-consuming process to reclaim the overpayments from HMRC.

Tax-efficient benefits

There is a variety of tax-exempt or tax-efficient perks that you can offer your UK-based employees, which are at nil or little cost to them. They include providing a mobile phone to make private calls overseas, an interest-free loan of up to £10,000, a bicycle for commuting and an electric or low-emission car plus related charging facilities. Although these items are of full benefit to the employee, they are still fully deductible for tax purposes within your UK business.

Living allowances for secondees

For employees on temporary secondment to the UK, certain living expenses can be reimbursed to them free of tax and national insurance. Over the years, we have seen many employers miss out on the benefits of these generous rules. Ensure that secondment expenses are classified correctly to avoid large liabilities of under-paid tax.

Share incentive schemes

Giving key or all employees the option to own shares in your business can be pivotal in ensuring they are invested in its future success. However, the taxation and online reporting of share options and awards can be complex and often misunderstood. Additionally, issuing shares to a UK employee in an overseas parent entity is a minefield. Ensure that the employee is not burdened with an unexpected tax liability in the UK or overseas.

Pension contributions

It is a mandatory requirement to offer an auto-enrolment pension scheme to any employee who is ordinarily working in the UK. If the employee wishes to participate, the employer must also contribute. If the rules are followed correctly, it is a very tax-efficient way of incentivising your staff, as the contributions made by the employee are tax-exempt and the employer contributions are tax-deductible.

There is also an employer national insurance saving. The amount paid into the pension must be commercially in line with the salary and work undertaken by the employee.

Doing business in the UK – how to pay your staff

Overall considerations

There are many ways to incentivise your existing employees and attract future talent. With an international business, you need to know the additional reliefs and exemptions that could apply to your employees seconded to the UK. You must also consider how your UK domestic staff are incentivised and included when the main parent entity is not based in the UK.

How can Moore Kingston Smith help?

Aligning your UK business methods of staff incentivisation with your international business is complex. For a no-obligation introductory conversation to clarify your path forwards, please [contact our team](#).

Contact us



MOORE Kingston Smith

Any assumptions, opinions and estimates expressed in the information contained in this content constitute the judgment of Moore Kingston Smith LLP and/or its associated businesses as of the date thereof and are subject to change without notice. This information does not constitute advice and professional advice should be taken before acting on any information herein. No liability for any direct, consequential, or other loss arising from reliance on the information is accepted by Moore Kingston Smith LLP, or any of its associated businesses.

Moore Kingston Smith LLP is regulated by the Institute of Chartered Accountants in England & Wales. Certain activities of the LLP and/or its associated businesses are authorised and regulated by the Financial Conduct Authority, the Financial Reporting Council or the Solicitors Regulation Authority. More details are available on our website at www.mooreks.co.uk © Moore Kingston Smith LLP 2024.