



# OPTIMISE EMPLOYMENT TAX

## A&M Employment Tax Optimisation (“ETO”) Review



**What is an ETO review?** An opportunity to identify cost-savings, reduce risk and improve governance within your business in relation to employment taxes.

### WHAT ARE THE BENEFITS OF AN ETO REVIEW?

There are two key benefits. Firstly an ETO review will highlight opportunities to maximise efficiencies in employee remuneration and benefits. This will include potential cost saving opportunities, which maximise income tax and NIC exemptions. Secondly it will also extend to improvements in relation to processes, the control environment, and governance.

The ETO review will provide insight into where employment tax compliance is following best practice and, where any opportunities or requirements for change are identified during our review, we will provide clear recommendations and work with you to put in place a practical action plan.

From a financial and efficiency perspective carrying out an ETO review reduces business risk: should HMRC commence a compliance check or enquiry it can help to avoid protracted discussions, limit external and internal (with employees) reputational damage, and for businesses considering an exit event or seeking funding it will enable proactive improvements to be made ahead of due diligence. It will also enable Groups or decentralised businesses to identify harmonisation opportunities which drive efficiency and manage risk more effectively.

### WHERE ARE THE OPPORTUNITIES FOR SAVINGS OR EFFICIENCIES IN EMPLOYMENT TAXES?

- Understanding and correct application of relevant income tax and NIC exemptions
- Utilising salary sacrifice where appropriate to deliver savings for employers and employees
- Using the employment tax strategy to support the overall tax strategy and drive or compliment overall approach to Environmental, Social and Governance (“ESG”)
- Effective policies which support internal efficiency, controls and governance

### HOW WILL THE ETO REVIEW WORK IN PRACTICE?

Our experienced employment taxes team will collaborate with you and your colleagues (typically those in tax, finance, HR and procurement) to conduct a discussion-based review over a wide range of key employment tax areas. We will ask lots of questions carefully designed to draw out any potential ‘red flags’ and/or cost saving opportunities.

Following our review we will produce a report, summarising our findings and setting out prioritised recommendations, covering areas of identified risk and efficiency opportunities, and potential next steps.

Once we have delivered our report we will meet with relevant stakeholders to discuss our findings and recommendations and explore and agree next steps. Following this meeting we will produce a summary plan setting out agreed actions, responsibilities and timeframes.

Our areas of focus will be bespoke to your business and priorities, but we would expect to cover the following areas during our discussion based review:

- Business control environment/attitude to risk
- Relationship with HMRC and enquiries
- Policies and procedures
- Cash remuneration and payroll compliance
- Benefits and expenses
- Termination payments
- Off payroll labour / supply chain (IR35)
- Construction Industry Scheme
- National Minimum Wage
- Globally mobile, business travellers and remote based employees (e.g. non UK resident directors)
- Employment related securities



## WHY NOW?

The rising cost of living has a significant impact on employees, and employers face pressure to keep remuneration packages competitive and retain key talent, while the expectations and working practices of employees have typically changed following the Covid-19 pandemic. An ETO review shines a light on employee remuneration, benefits, expenses and associated taxes, and the related business functions which are responsible for them. It provides the opportunity to view management of employment taxes as something other than a mandatory process but a chance to support and align with key strategic business objectives, and potentially save money.

The tax governance environment and the tax penalty system are designed to drive positive, proactive behaviours. It is far better to be get your own house in order, and actively bring matters requiring resolution to HMRC's attention rather than waiting for an HMRC review. Whilst the historic, cyclical pattern of 'PAYE reviews' is a thing of the past, HMRC do still conduct reviews, typically in a focussed area of perceived employment tax risk but which can be expanded to other areas of employment tax or other taxes altogether. Following a period of change within HMRC and a number of changes to legislation, and the significant legislative change around off-payroll working in recent times, it is to be expected that HMRC will step up their compliance activity.

## HOW CAN WE HELP?

With our ETO review offering, A&M Tax can support you in maximising business efficiencies and managing tax risk in the area of employee pay, benefits and expenses. Our team of experienced professionals are on hand and happy to help.



## KEY CONTACTS



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