

Press Release

15 July 2010

Ian Prescott, Employment Tax Manager at accountants Armstrong Watson, advises employers on the tax advantages of a Staff Suggestions Scheme.

Good businesses thrive on good ideas. Ideas can help shape everything from the way a business operates, to the next range of products or services that it offers to its customers. As there are no rules or indicators of who will come up with a way to revolutionise a business, if employers are not capturing their employees' ideas through a "Staff Suggestions Scheme" they could be missing a trick.

Rewarding employees for ideas and suggestions can be done without attracting tax and National Insurance charges.

Getting HM Revenue & Customs' approval prior to implementing a Staff Suggestions Scheme could enable employers to reward their employees with Encouragement Awards of up to **£25** tax and National Insurance free, these are for good ideas that cannot be implemented for whatever reason. With genuine financial savings, awards of up to 50% of the first year's annual saving capped at a maximum of **£5,000** can also be paid free of tax and National Insurance.

Good schemes work best when employees feel comfortable about giving employers their ideas. Internal communication structures are essential, and should be transparent to enable employees to understand how their ideas have been used or implemented. As well as being rewarded for their ideas, employee feedback can

often help to generate further ideas even if an original idea is not taken forward or deemed worthy of an Encouragement Award.

Employees should be able to submit their ideas easily and in a way which suits them; this could be via paper submissions or electronically via email.

It is important for employers to keep Staff Suggestions Schemes simple, and not to put barriers in the way which might deter employees from sharing their ideas.

Armstrong Watson's Employment Tax team has assisted many employers to implement HM Revenue & Customs approved Staff Suggestions schemes, with feedback showing that on average most employees have one or two good ideas each year. If employers are not capturing these potentially they could be wasting a lot of money, and failing to develop their business.

If employers would like further information on implementing a Staff Suggestions Scheme they can contact Ian Prescott of our Employment Tax team at ian.prescott@armstrongwatson.co.uk or alternatively phone our **Skipton office** on **01756 620000**.

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