



## There's more to retaining key personnel and directors than salary

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Many employers face a challenge in finding cost effective and tax efficient ways to enhance their employee's overall remuneration package. Attractive remuneration packages are key to attracting and retaining the best individuals but, without careful planning they can be expensive and time consuming.

The core benefits typically expected by employees include healthcare, life cover, income protection and pensions.

Traditionally employees have also been provided with company cars. Recently, however, these have become less attractive as the taxable benefit has increased as a result of the government's policy to reduce global warming. The consequential trend has been to replace the company car with a car allowance.

The new pension regime from 6 April 2006 will offer further opportunities for rewarding employees. Currently, the maximum annual pension contributions are a percentage of earnings and remuneration packages often reflect this. From April onwards, however, the annual allowance for contributions to a pension scheme will be £215,000. Employers will therefore be able to make payments to employees' pension schemes without reference to actual earnings. Such pension contributions are also free from income tax and National Insurance.

In order to attract and retain the best employees, however, it is necessary to look beyond the usual package of benefits.

Research indicates that share ownership has a positive effect on employee productivity. Share incentives can also be used to recruit and retain key employees. There are several HM Revenue & Customs approved share incentive schemes that offer generous tax reliefs. Schemes can be tailored to suit the company's objectives.

Tax shelter investments such as Film Partnerships, Venture Capital Trusts, Enterprise Zone Property Trusts and Enterprise Investment Schemes can all be used to mitigate higher rate tax liabilities on salary or bonus.

Despite the restriction on tax relief, Employee Benefit Trusts are still a valuable staff motivational tool which also offers tax advantages to executives. An Employee Benefit Trust is a trust set up by an employer for the benefit of employees (including directors) and former employees, their spouses and dependents.

In summary there are a number of options other than just focusing on salary for attracting and retaining directors and key employees.

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