Health is everyone’s business: Proposals to reduce ill health-related job loss

Employment Tax

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The CIOT has warned against using the PAYE real time information process to report sickness absences.

A recent joint consultation by the Department for Work and Pensions (DWP) and Department of Health and Social Care (DHSC) sought views on different ways in which government and employers can take action to reduce ill health-related job loss. In the package of measures was a suggestion to use the PAYE real time information (RTI) process to provide the government with data on sickness absences. The consultation also considered the exemptions and reliefs from income tax in relation to employer-provided health-related benefits in kind. The consultation document suggests that employers could automatically report sickness absence through their payroll system, which we assume means using RTI to report sickness absence. The CIOT is very concerned that such a requirement will:

- place an unwelcome additional compliance burden on employers (with consequent penalties for reporting failures); and
- not, in any event, help the government in its aim of providing timely and targeted prompts to employers on how best to manage their employee’s sickness absence.

We thought that as statutory sick pay payments are already identified and reported through the RTI process, the government should already be able to identify statutory sick pay recipients and that there should not be a need to provide any further information. We also thought that if the government were to require all sickness absences to be reported, this would add a very significant burden on employers but

with no tangible benefit to the employer or employee. Additionally, we considered that it is very likely that, unless an individual is on longer term sickness absence, a period of sickness will have ended before the relevant RTI submission is made. This means that by the time government has the information which would enable it to issue a prompt to the employer the employee will have returned to work.

We felt that a better approach might be for the government to provide a ‘one stop shop’ for advice on sickness absence (for example, a dedicated online portal) and to regularly remind employers via existing communications channels where advice on dealing with absences can be found.

The consultation document also referenced the UK tax system, although the government did not propose any change to the existing reliefs for expenditure incurred by employers on employee healthcare or the various employee exemptions from income tax and national insurance contributions where employees receive health-related benefits in kind.

We asked the government to carefully consider the types of additional expenditure that they want to encourage businesses to bear in assisting employees with health-related conditions: (i) by helping them to return to work more quickly; or (ii) in making reasonable adjustments to working arrangements enabling them to remain in work. And we then suggested testing this expenditure against the existing framework of benefits in kind tax exemptions to see whether the expenditure falls within existing exemptions, or whether some widening of existing exemptions is required. For example, we thought that the current welfare counselling exemption in the Income Tax (Benefits in Kind) (Exemption for Welfare Counselling) Regulations 2000/2080 may need to be extended to deal with occupational health treatment.

The CIOT’s full submission is available to read on the CIOT website.