

Manpower - Travel and Subsistence Arrangement (TSA)

Manpower wrote to the CWU in early March advising the union that it is their intention to implement plans for a Manpower Travel and Subsistence Arrangement (TSA) to be initially piloted in a number of sites and then rolled-out across the BT Account in the UK.

The scheme effectively allows staff to be paid an allowance each day towards travel to and from work, plus a subsistence allowance for food and drink, for eligible employees, for up to 24 months. This payment is made within their pay prior to any tax or NI contributions having been taken (often referred to as a Salary Sacrifice Scheme) and as such means that the staff pay no tax or NI on those allowances. These can be up to £9.20 per day so an average worker could save up to £500 per year under this scheme if they meet all the criteria etc.

The scheme is fully endorsed by HM Revenue & Customs (HMRC) and is within the rules and it has already been successfully implemented in Manpower branches for over 4,000 employees.

Manpower have now confirmed that the trial which was held at Aberdeen, Bangor, Shrewsbury, Lincoln, Middlesbrough, Cardiff and Preston has been successfully and it now their intention to roll-out as follows:

1. Letters for all staff on all sites to be sent by 28 March 2008 stating the opt-out / opt-in choices and responses to be received back by 18 April 2008.
2. Manpower internal processes will ensure all new starters from 02 April 2008 will have the TSA option given to them within the induction process so that they gain access to the benefit immediately.
3. All existing staff to be activated as per their requirements after 18 April 2008.
4. First full payroll with TSA for all staff week commencing 21 April 2008.

The CWU has taken advice from Pension 'expert's and colleagues within the Union that have experience of such schemes and have made a number of comments to Manpower.

Initially the comments fall under two headings - philosophical and practical. Philosophically there is a question about the suitability of all salary sacrifice schemes, especially where there is no obvious social value-add. This is basically 'dinner money' and very similar to the mobile worker payment in BT.

The TFSE has already sought to make these sort of schemes opt in rather than opt out to give individuals the maximum degree of choice. When challenged Manpower have responded that they are providing employees with information to allow them to make an informed decision. In addition, there is a 3 week period in which they can make their choice as to whether they join. In all cases employees can opt-out if they are uncertain.

It should be noted that the savings are greater under this arrangement than under the Holiday Pay Scheme as the TSA Scheme also provides savings against Income Tax.

Practically there are concerns. Will people be better off? This is because of the impact of lower NI contributions on the secondary state pension. The erosion of S2P is costly to remedy later on and therefore salary sacrifice schemes are not advantageous for everyone.

The CWU notes that the proposal contains health warnings and automatically opts-out individuals who are close to the NI cut-off and for whom participation would be problematic.

However, individuals who already sacrifice part of their salary are not opted-out. While the TSA on its own may not jeopardize S2P, TSA taken together with other schemes may produce a cumulative effect that is not beneficial to individuals.

Please find attached a copy of the Frequently Asked Questions as well as the Manpower draft letter which will be sent to all individuals.

All branches and Manpower employees are advised to read the information provided and to take particular note that the TSA scheme may not be in their best interest they are an employee nearing retirement age or if you have a state second pension. TSA may also affect your benefits. Please refer to the following statutory sick pay, maternity pay, adoption pay or paternity pay advice - www.hmrc.gov.uk.

Any queries should be addressed to Sally Bridge, Assistant Secretary
sabridge@cwu.org.

Yours sincerely
Sally Bridge
Assistant Secretary

Attachment

Manpower Travel and Subsistence Arrangement (TSA) Frequently Asked Questions

1. What is the Manpower TSA?

The Manpower TSA has reached full negotiated agreement with HMRC in order to provide certain employees engaged under a Contract of Employment to receive travel and subsistence payments without paying Income tax or National Insurance contributions (NI) on these payments.

Employees are eligible to participate if they are available to work on assignments at a number of different client sites, such that they are not at one workplace for longer than a 24-month period. This could even be with the same client but at a different location

If you participate in the Manpower TSA, you will be able to claim an approved tax/NI free payment to contribute towards your travel costs to and from a client's premises as well as food costs incurred whilst at work.

In taking part in the Manpower TSA, you agree to give up some of your gross taxable pay - this is sometimes referred to as "salary sacrifice" (see below). As your pay subject to tax and NI will be reduced you will pay less tax and NI, therefore your take home pay will increase.

2. What is salary sacrifice?

Salary sacrifice is an increasingly common arrangement, recognised by the government and HMRC, whereby you give up some taxable pay and typically receive benefits instead.

In the case of the Manpower TSA, you would be paid a tax/NI free payment as explained above. You will always be able to keep track of your pay and TSA payments. Your original pay and the amount you sacrifice will be clearly shown on your payslip. For the

purpose of this salary sacrifice arrangement, these are referred to as "TSA adjustment" and "TSA allowance". Your additional tax/NIC free payment will be shown on your payslip.

3. Does this apply to me?

In order to benefit from TSA you must be **eligible**. That is;

- § You work, or are available to work, at a number of different client sites; and
- § It must be reasonable to assume that you will not work at the client site for longer than 24 months.

If you are eligible for TSA payments, you will **qualify** to be paid TSA allowance in respect of a shift at a client site if;

- § You work for more than 5 hours per day (including one hour deemed travel to/from the workplace).
- § You do not claim expenses elsewhere
- § You are not provided with transport and/or free meals

You can also qualify for travel only, no matter how long your shift is.

If you do not meet the eligibility requirements, you cannot qualify for TSA payments, regardless of the length of your shift.

4. What happens if I am expected to work at the same client site for over two years?

If you are on assignment at the same location for more than two years (24 months), you will not be eligible for TSA from that moment as it is expected that you will no longer be classified as a mobile employee from that time.

5. How will I benefit from TSA?

At the moment you pay for your own food costs whilst at work and your travel costs to and from work and do not receive any allowances to cover this daily expenditure. However, once you join TSA, you will be entitled to receive a tax and NI free payment, which will help towards paying these costs. The subsistence costs include lunch, snacks and refreshments that you may have when you are at work. The travel costs are deemed to have been incurred in getting you to / from your place of work.

6. Do I have to submit the receipts for my travel and food costs in order to receive TSA?

As TSA allowance is paid automatically to you, you will not need to submit receipts. To ensure that you are only paid qualifying allowances, we will ask you to sign each time you book any annual leave to state that your circumstances have not changed and you are eligible to continue to receive these allowances.

How do I estimate what my extra take-home pay will be?

Your TSA payment and deduction each week will vary according to your pay rates and hours worked to ensure there is no breach of the national minimum wage rules. The maximum allowance per day as agreed with HMRC is £6.60 per day for subsistence and £2.60 for travel. The TSA payment is agreed with HMRC based on average data for employees across the country.

§ Calculate the total **TSA Allowance** for the week (TSA daily rate multiplied by the number of qualifying days per week). In the example shown below this will be £9.20 x 5 days, this is the pay that is free from tax and NI contributions.

This amount may reduce to ensure you do not fall below the National Minimum Wage.

§ To calculate the total **TSA Adjustment**, refer to the attached TSA Adjustment Matrix.

- § This adjustment is calculated to off-set the incurred cost of running the TSA.
- § The TSA adjustment will always be greater than or equal to the TSA Allowance, but this does not mean that you receive less take-home pay as you benefit from the reduced tax/NI payments. Under no circumstances will your pay be disadvantaged from a tax or NI perspective if you receive a TSA payment
- § This additional amount is calculated as a percentage of your allowance.
- § The percentage used will depend on your Tax and NI position.
- § You can see the percentage that applies to you by using the letter code on your payslip and referring to the attached TSA Adjustment Matrix.

As an example we will apply the calculations to a standard Tax and NI payer earning **£250.20** per week for a 36 hour week.

Their **TSA Allowance** will be **£46.00** (£9.20 multiplied by days worked, in this case, 5)

The **TSA Adjustment Matrix** indicates that a standard Tax and NI payer falls into category **'H'** with an adjustment multiplier of **1.112347%**

Therefore their **TSA Adjustment** is **£46.00** x **1.112347%**, which equals **£51.17**
This amount is paid without deducting tax and NI.

The tax/NI-able pay is calculated as total pay **minus** the **TSA Adjustment**
In this example £250.20 minus £51.17 which equals **£199.03**

For further clarification please see the attached sample payslip, which shows:
This week's Tax and NI savings and Year to Date Tax and NI savings

8. Will joining the TSA ever reduce my pay?

No. Your tax and NIC savings will more than compensate for any decrease in your gross pay

9. Will joining the TSA affect any State Benefits I may be entitled to?

Benefits that are related to your gross taxable pay such as "tax credits" may increase due to the decrease in your gross pay by inclusion to the TSA.

Your NI-able pay is reduced if you join the TSA; the benefits that are calculated according to your NI-able earnings (e.g. Parental Pay, Sick Pay and Second State pension), may be affected by inclusion to the TSA, as your NI-able earnings will be reduced.

Therefore, it may result in you either receiving a lower amount of benefit or not qualifying for the benefit. With regards to Parental Pay, we recommend that you consider opting out of TSA during pregnancy or adoption process.

If you wish to receive more information on Parental Pay, please contact your Manpower consultant.

For further information on how TSA may affect your benefits please refer to the following:

Statutory Sick Pay, Maternity Pay, Adoption Pay or Paternity Pay advice - www.hmrc.gov.uk

The basic state pension is affected if the earnings on which you pay National Insurance fall below a certain level for each tax year (£4,524 for 2007/8 tax year).

The state second pension could be affected, although the government is to review the workings of this benefit. More information can be obtained from Pension Services by calling 0845 731 3233 or via Pension advice - www.thepensionerservice.gov.uk

To avoid any issues with State Benefits we will be automatically opting out employees who are expected to earn less than £6,800 per year. You can, however choose to opt in by completing the enclosed form and returning it to your Manpower consultant.

Finally, certain 'means' tested state benefits related to your net earnings may be affected. This is because if your net pay increases, your entitlement to such benefits may reduce (e.g. council tax benefit).

10. I am an employee nearing/at retirement age. Can I benefit from TSA?

If you are nearing or at retirement age this may have an effect on your pension. Consequently, you may wish to consider whether you want to participate in TSA. For further information on how this may affect you please refer to the HMRC website at www.hmrc.gov.uk/pensioners/workingafter.htm

11. If I have an Attachment of Earnings Order, Student Loan or Child Support Agency (CSA) deduction how will I be affected?

Attachments of Earnings Orders and/or CSA deductions are based on net pay. Inclusion to the TSA increases your net pay therefore your payment may increase. Student Loan Repayments, are only activated once an employee earns above a certain gross amount per week currently £288.00, (£15,000 per annum). Inclusion to the TSA will lower the gross earnings, consequently leading to no repayment/a lower amount being paid. There is the option to make additional payments to reduce the student loan by the employee, which would be dealt with separately between the employee and the Student Loans Company.

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No. If you are included in the TSA you are not required to advise HMRC of such payments unless specifically asked to do so.

13. Do I have to join?

The plan is an optional benefit for you, if you wish to opt-out of the arrangement please complete the attached "Opt-Out" form and return to your Manpower consultant by .TBA....

14. How do I Leave or Opt back into the arrangement?

You can leave the TSA on the anniversary date (1 January), or following certain changes in your personal circumstances (see lifestyle event below). All you have to do is let us know in writing. Your records will be updated accordingly and you will stop receiving your TSA payment and your take home pay will reduce to the level it would be without TSA.

Employees will only be able to opt back in on the anniversary date (see below) or following certain changes in personal circumstances (see lifestyle event below).

Lifestyle events are not defined in legislation, but HMRC would define a "lifestyle event" as a term used to refer to unforeseen life events, which have a major effect on your lifestyle. (e.g. redundancy of a partner, pregnancy of employee or partner, marriage or divorce of employee).

If a lifestyle event occurs Manpower may agree to review the existing contractual arrangement to take into account the change of circumstances, and may allow the employee to opt in/out.

Anniversary Date New and existing employees will be re-assessed on an annual basis with the first one being on the on 1st January 2009 to ensure their eligibility criteria still applies, and then annually on the 1st of January thereafter.

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