UK: Output VAT Due on Salary Sacrifice Schemes Beginning January 1, 2012

November 17, 2011

Effective January 1, 2012, when an employee in the United Kingdom opts to forgo salary to receive goods or services from his or her employer (a ?ÃÂ£salary sacrifice scheme?ÃÂ¥), the employer must account for output on value-added tax (VAT) on these goods and services if the arrangement constitutes a salary sacrifice scheme for VAT purposes. Prior to this change, HM Revenue & Customs had accepted that the reduction in salary under a salary sacrifice scheme did not constitute consideration for the benefits received and output tax was not due. This change is explained in Revenue & Customs Brief 28/11, which is available?Ã¡here.