

**EXPLANATORY MEMORANDUM TO**  
**THE SOCIAL SECURITY (CONTRIBUTIONS) (AMENDMENT No. 6)**  
**REGULATIONS 2007**

**2007 No. 2091**

1. This explanatory memorandum has been prepared by The Treasury and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. **Description**

These Regulations introduce a disregard for non-cash vouchers which can be used only to obtain a health screening or a medical check-up and which is exempt from a charge to income tax.

3. **Matters of special interest to the Joint Committee on Statutory Instruments**

None

4. **Legislative Background**

4.1 These Regulations are made in exercise of the powers conferred by section 3(2) and (3) of the Social Security Contributions and Benefits Act 1992 and section 3(2) and (3) of the Social Security Contributions (Northern Ireland) Act 1992.

4.2 Corresponding provisions are made in relation to income tax by the Income Tax (Exemption of Minor Benefits) (Amendment) Regulations 2007.

5. **Territorial Extent and Application**

This instrument applies to all of the United Kingdom.

6. **European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. **Policy background**

7.1 It has long been the stated practice of HMRC that where an employer provides their employees with health screening or a medical check up it should not be considered a taxable benefit. However this view has recently been called into question and HMRC now consider a tax charge might arise on such provision.

- 7.2 For the avoidance of doubt, and to ensure fairness across the workforce, it has been decided to introduce regulations to formally exempt from tax the provision of health screening and medical check ups that are made available by employers to all their employees.
- 7.3 Generally speaking if tax is due on an employer provided benefit, there will also be a liability for Class 1A National Insurance Contributions from the employer. Introducing regulations to remove the tax charge on medical check ups and health screening will mean that no Class 1A NICs is due.
- 7.4 The position is not so straight forward if an employer chooses to use a non-cash voucher to provide their employees with health screening and medical check ups. This is because non-cash vouchers, if derived from the employment, are regarded as earnings for Class 1 NICs purposes. However, Part 5 of Schedule 3 of the Social Security (Contributions) Regulations 2001 provides that certain non-cash vouchers can be disregarded for the purpose of calculating Class 1 liability.
- 7.5 In order to maintain alignment between the tax and NICs legislation we need to make consequential changes to the contributions regulations. Without such changes the NICs position of vouchers for health screening and medical check ups would be out of step with the tax position and add to the complexity of the tax/NICs system and compliance burden for employers.

## **8. Impact**

- 8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no significant impact on business, charities or voluntary bodies
- 8.2 There is no impact on the public sector.

## **9. Contact**

Paul Harris at HM Revenue & Customs Tel: 020 7147 2528 or e-mail: paul.harris@hmrc.gsi.gov.uk can answer any queries regarding the instrument.