

# Detached duty relief for seconded employees



## Tax Relief for Seconded Employees

Businesses wishing to establish themselves in the UK must decide whether to second employees from overseas to work in the UK or to recruit locally.

A very valuable UK tax relief is available for businesses that second employees for a temporary duration to the UK, this relief is known as Detached Duty relief.

Before explaining how detached duty relief works it is worth recapping how the UK tax system operates for employees.

The UK operates an income tax withholding system known as Pay As You Earn system ("PAYE"). It is the employer's responsibility to operate PAYE for its UK workers, though it is quite normal for employers to engage with a Payroll bureau to provide payroll administration services.

PAYE deductions must be made for Taxation. Social Security deductions, known in the UK as National Insurance Contributions ("NIC"), must also be made.

In addition to the deduction and collection of taxes and NIC from employee's gross pay, there is also a requirement for the employer to make a payment of employer's NIC.

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## Taxation Deductions

When calculating the net of Taxation pay, ("Net Pay") deductions are allowed for certain items. These items include:

- An amount of tax free allowance, being the amount an individual can earn before having to pay tax in the UK.
- Regular allowable pension contributions.
- Deductions for allowable business expenditure.

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Seconded employees are away from their home, and require a place to live. The cost of providing this place is therefore necessarily incurred to allow the employee to perform his duties, and in these circumstances the employee has obtained a deduction for the cost of providing living accommodation. A deduction that is unlikely to be available if employees are sourced locally.

It is also possible to make claims for, council taxes, travel between the living accommodation and the UK place of work, Food, provision of utilities such as electricity, water and gas.

### National Insurance Contributions

In addition to the taxation benefits available to the seconded employee there is usually an exemption from payment of NIC for the first 52 Weeks of any secondment. The cost of NIC should not be overlooked. Employee's contributions can be up to 11% of gross salary and employer's contributions are 12.8% of gross salary.

### Example

An employee earning £40,000 is seconded to set up a UK office which is expected to take 18 months. Living in London, he spends around £1,800 per month on deductible expenses.

In the first year the tax calculation will look like this:

Salary	40,000	(Deductions 21,600)
Income Tax	2,385	
Social Security	( - )	(52 week exemption)
Net Salary	<u>37615</u>	

This represents an £8,000 tax and NI saving for the employee and an approximate £5,000 saving for the employer.

### In Summary

A properly structured secondment package can therefore benefit both the employee and the employer. At Kingston Smith we have a vast experience of putting this type of package together and also have a close working relationship with the HM Revenue & Customs specialist team that deal with this relief.

If you are considering seconding employees to the UK, are already seconding employees or would like to find out more then please contact Paul Spindler, Partner, Kingston Smith LLP.



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