

# Paying for Private Healthcare? Know the Tax Implications

Private healthcare is a valuable benefit, but the way you pay for it can affect your tax position. Here's a quick overview of four common payment options, how they're taxed, and the pros and cons of each.

## Option 1: You Pay Personally (from your salary)

You arrange and pay for the policy from your net income.

Tax impact:

- No Benefit in Kind (BIK).
- No Employer's National Insurance (NIC) or tax for the company.
- But no corporation tax relief either.

### Pros

Simple – no reporting required

No impact on your company's payroll or accounts

### Cons

Least tax efficient – you're paying from after-tax income

## Option 2: Company Pays for Private Healthcare Policy

Your limited company takes out and pays for the healthcare policy in your name.

Tax impact:

- Treated as a Benefit in Kind (BIK) for you as a director.
- You'll pay income tax on the value of the premiums.
- Your company pays employer's NIC (15%) on the BIK.
- Your company can usually claim corporation tax relief on the cost.

### Pros

Tax relief for the company

You won't be paying premiums out of your taxed income

Good for offering staff benefits too

### Cons

You will pay more personal tax

P11d's must be submitted and Class 1A NIC paid

## Option 3: You Pay, Then the Company Reimburses You

You pay the premiums, and the company reimburses you.

Tax impact:

- Treated the same as the company paying directly - still a BIK.
- Income tax for you, employer's NIC for the company.
- Corporation tax relief usually available.

### Pros

Useful if the company wants to take over an existing policy

Corporation Tax Relief Available

### Cons

More administration

P11d's must be submitted and Class 1A NIC paid

## Option 4: Salary Sacrifice for Private Healthcare

The employee agrees to reduce their gross salary, and in return, the company provides private healthcare. The company pays for the policy directly.

Tax impact:

- Treated as a Benefit in Kind (BIK) — so still taxable for the employee.
- BUT: The reduced salary means lower employee NICs, income tax, and employer NICs.
- The company can still claim corporation tax relief on the cost.
- Must be a genuine contractual salary reduction.

*Important: Salary sacrifice only works well if structured and documented correctly, and HMRC rules must be followed. It is not permissible to reduce your salary below the National Minimum Wage when using salary sacrifice.*

### Special Note for Directors

While salary sacrifice can be a tax-efficient option for employees, it is often less effective for directors. This is because many director-shareholders of limited companies do not have formal employment contracts and typically draw low salaries for tax efficiency, which limits their ability to use salary sacrifice arrangements effectively.

## Pros

Can reduce overall tax and NI burden

Still provides the employee/director with the benefit of private healthcare

Works well for higher-rate taxpayers or when offered to employees

## Cons

Requires a formal variation to the employment contract

P11d's submitted and Class 1A NIC paid

May affect borrowing (e.g. mortgage applications, where gross salary matters)

## Summary at a glance

| Option                            | Personal Tax | Employer NI? | Corporation Tax Relief | P11D? | Employee NI Saving |
|-----------------------------------|--------------|--------------|------------------------|-------|--------------------|
| Pay Personally                    | ×            | ×            | ×                      | ×     | ×                  |
| Company Pays Direct               | ✓(BIK)       | ✓            | ✓                      | ✓     | ×                  |
| Company Reimburses the Individual | ✓(BIK)       | ✓            | ✓                      | ✓     | ×                  |
| Salary Sacrifice                  | ✓(BIK)       | ✓            | ✓                      | ✓     | ✓                  |

## Our Advice

In most cases, letting the company pay directly is the most tax-efficient route overall. However, it does come with reporting obligations and may affect your personal tax bill. For best results, discuss your plans with your accountant to make sure it's done right and fully compliant.

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