



Boosting employee loyalty through fringe benefits

In partnership with EY.



How to boost employee loyalty through fringe benefits?



Fringe benefits

An employer may pay an employee in the form of goods or services. The fringe benefit is taxable same as wage income.

The fringe benefit is a compensation paid by the employer to the employee, in a form other than monetary terms. It represents an advantage because its main purpose is to make savings to the recipient, either by participating in settlement costs, or by giving free access to benefits. This 'exchange' must be part of a working relationship. The fringe benefit is an agreement between the employer and the employee and is often used to improve comfort or working conditions of the latter. As a rule, he will not be repaid if it has not been used or accumulated from one year to another.

What is a fringe benefit?

It is sometimes difficult to distinguish a fringe benefit with a different type of expense or compensation.

The question, "who will benefit from it?" is often asked to know the most appropriate meaning.

Take the example of a meal. An employee invites a client for a lunch to negotiate a contract. The bill is paid by the employee and then reimbursed by the firm. This expense is beneficial to the firm, even if the employee has enjoyed the menu; this is not a fringe benefit but is refunded upon presentation of receipt of expense.

On the other hand, a canteen where meals are provided by the company is beneficial to the employee as they save make savings from their salary. This is a fringe benefit. Therefore, the employees save time when remaining on site for lunch as they do not have to travel.

It is important to clarify the reasons when an employer pays an air ticket to an employee. As in the example above, a business trip directly benefits the company. Air tickets paid for holidays or other reason other than direct interest to the company are considered as a fringe benefit.

Although it is intended as part of a working relationship, the fringe benefit may benefit someone else other than the employee, as specified in the Ninth Schedule of the Income Tax Regulations. For example, an employee's family can take advantage of the payment made by the company for expatriation costs.

Types of fringe benefits

The fringe benefits can be divided into groups: property, savings, gain (payment of all or part of a particular expense) or services. It may include a company car, provision of transport, a trip, a stay at the hotel, air tickets for holidays, meals, a house, medical insurance, etc.

What are the advantages?

Several reasons may encourage the employers to compensate the employees with fringe benefit:

- Provide a good or service to which the employee would not otherwise have access (discounted price for a hotel room belonging to the same company for which the employee works)
- Staff should be motivated as it has a positive impact on productivity and employee's loyalty. The employee's lifestyle is improved in terms of comfort when obtaining a car after being promoted



Are fringe benefits taxable?

Yes, in most cases. Since there is remuneration and it allows the employee to make a saving on expenses, the fringe benefit must be declared and the amount must be shown on the payroll. It will thus be considered in the income tax. Fees for the medical and retirement insurance are the exceptions of the employer's contributions.

What is the monetary value of fringe benefits?

The Mauritian law fixes monetary value with reference to the taxable fringe benefits, so that to match them to a financial income for the calculation of the income tax (see the Ninth Schedule of the Income Tax Regulations 1996).



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