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## LIVING ACCOMMODATION PROVIDED BY REASON OF EMPLOYMENT: PAYMENTS OF LEASE PREMIUMS

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### Who is likely to be affected?

1. Employees who occupy living accommodation provided by reason of their employment on short term leases where a lease premium is paid.

### General description of the measure

2. Legislation will be introduced in Finance Bill 2009 to stop attempts to avoid tax on the benefit of living accommodation. The measure will apply in cases where accommodation is provided to employees by reason of their employment through the payment of a lease premium.

### Operative date

3. The legislation will apply to leases entered into or extended on or after 22 April 2009.

### Current law and proposed revisions

4. Chapter 5 of Part 3 of the Income Tax (Earnings and Pensions) Act 2003 sets out the tax position when living accommodation is provided by reason of the employment.
5. Where an employee is provided with accommodation there is a tax charge on the benefit to the employee of that accommodation. Where rent is paid by the person at whose cost the accommodation is provided the charge is based on the actual rent paid (less any amount made good by the employee), where that is more than the annual value. However, some arrangements are being entered into that involve upfront payments, which are described as a lease premium, and payment of a very small rent in order to try to avoid paying tax.

6. The legislation will ensure that where a lease premium is paid for a lease of 10 years or less, the same tax treatment will follow as if the lease premium were actual rent paid. The taxable amount in any tax year will be treated as the amount of the lease premium spread over the duration of the lease plus the amount of any rent paid by the person at whose cost the accommodation is provided less any amount made good by the employee.
7. The new rules will not apply to leases entered into in relation to a property used mainly for a business purpose by the employer and partly for the domestic use of an employee.

**Further advice**

8. If you have any questions about this change, please contact Peter Robinson on 020 7147 2423 (email: [peter.w.robinson@hmrc.gsi.gov.uk](mailto:peter.w.robinson@hmrc.gsi.gov.uk)). Information about Budget measures is available on the HM Revenue & Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)