

Chapter 5 provides an outline of the rules, which exempt from tax the cost of work-related training provided for employees. No deduction is due for the costs of training which employees undertake at their own expense. Those rules, contained in Section 250 to 254, operate by reference to a number of terms, each of which is defined in the rules. A general explanation of these defined terms follows

Work-related training

Work-related training is training for an employee's current employment or a 'related employment'.

It is defined as any training course or other activity which is designed to impart, instil, improve or reinforce any knowledge, skills, or personal qualities which:

- are, or are likely to prove, useful to the employee when performing his or her duties, or
- will qualify or better qualify the employee to undertake the employment, or to participate in charitable or voluntary activities arising through the employment.

The term includes a wide-range of practical and theoretical skills, so long as those skills are relevant to the employee. Where leadership team skills are appropriate to the employee, participation in activities such as Outward Bound, Raleigh International, or Prince's Trust will qualify. The cost of an employee's participation in a genuine Employee Development Scheme, which seeks to improve the employee's attitude towards training by commencing with an enjoyable course as an introduction to more concentrated job-related training, will also qualify.

Related employment

Qualifying training is training which is undertaken with an employment or prospective employment in view.

A related employment is:

- any office or employment held with the employer or which is to be held with the employer or a connected person
- any such office or employment to which the employee has or can realistically expect to have a serious opportunity of being appointed.

The intention here is to include all genuine training, in a range of competencies, which the employee would need to advance his or her career, or to achieve a career move with his or her employer. Training in leisure type activities, unless exceptionally an activity which has a genuine connection with that employee's work duties, is excluded. Tax charges then apply in the normal way.

Related costs

The exemption applies to expenditure upon the provision of 'work-related training' as defined above, or on certain costs related to such training.

Related costs, in connection with qualifying training, are:

- costs which are incidental to the employee's undertaking the training
- costs incurred in connection with an assessment of what the employee has gained from the training, which need not be by way of formal examination
- the cost of obtaining for the employee any qualification, registration or award where entitlement is as a result of the training or assessment in question. Awards which are made in recognition of, rather than as a reward for training achievement, such as a course scarf, tie or mascot would qualify as a 'related cost'.

Expenditure excluded from Section 250

The rules provide that 3 main types of expenditure are excluded from the exemption:

- facilities or benefits which are provided for entertainment or recreational purposes unconnected with acquiring the knowledge, skills or personal qualities which satisfy the definitions of work related training
- the cost of facilities or benefits which reward the employee for performing, or performing in a given way, the duties of his or her employment
- facilities or benefits which provide an employment inducement which is unconnected with acquiring, in any way, knowledge, skills or personal qualities which satisfy the definitions of work-related training.

It follows that normal meals, refreshments and the leisure activities which are offered within a training course are not brought into tax. Nor, for example, would the costs of safe-driver training offered to those driving significant business mileage. In contrast, if the same employer sent the same group of people to an evening at the go-kart track the expense would rank as excluded expenditure and so would be taxable.

Related costs – travel and subsistence

Exemption also applies to the employee's costs of travel and subsistence to the extent that those same expenses would be deductible under Section 336, or would qualify for mileage allowance relief, if the employee had undertaken the training in the performance of the duties of his or her office or employment, and had incurred and paid those expenses.

Provision of assets

Generally, the exemption does not apply to the cost of providing the employee with, or with the use of, any asset.

The general rule does not apply to:

- assets provided or available for use only in the course of training
- assets provided or available for use in the course of training and in the performance of the employee's duties, but not otherwise used
- assets consisting of training materials provided in the course of training
- an asset which is something made by the employee in the course of training, or is incorporated into something which is so made.

Typically, a computer made available for training, or work and training, which is not available for private use, will qualify. Training materials comprising audio/video tapes, course books or literature, stationery, CD and 'floppy' disks used for training may be retained by the employee tax-free.