

NON-TAXABLE PAYMENTS OR BENEFITS FOR EMPLOYEES

Expenses payments and benefits you get are not always shown on your P11D. This may be because they are covered by :

- a dispensation (an arrangement your employer may have with your Inland Revenue office to save you the trouble of including a benefit or expense payment you get and then having to make a matching claim for the allowable expenses you incur)
- a PAYE settlement agreement (where your employer settles your Income Tax liability on certain benefits in kind and expenses payments)
- a statutory exemption or an Extra-Statutory Concession.

The full text of all Extra-Statutory Concessions is in booklet *IR1: Extra-Statutory Concessions*, available from the Orderline.

Brief details of the most common exemptions and concessions are below.

You do not have to pay tax on benefits and expenses covered by concessions or exemptions. If the concessions or exemptions apply to you, do not enter the benefits and expenses concerned on your Tax Return.

ACCOMMODATION, SUPPLIES AND SERVICES IN YOUR EMPLOYER'S BUSINESS PREMISES

Accommodation, supplies and services (for example ordinary office accommodation, and equipment, telephones, typists, messengers, stationery) provided to you in your employer's business premises and used by you in performing your duties, provided that if there is any occasional private use of the items by you it is not significant.

SUPPLIES AND SERVICES PROVIDED TO YOU OTHER THAN ON YOUR EMPLOYER'S PREMISES

Supplies and services (for instance work equipment to use at home, stationery and consumables) provided to you to perform your duties, provided that if there is an occasional private use of the items by you it is not significant. This exemption does not apply to motor vehicles, boats or aircraft, or any extension or conversion of living accommodation or similar building work.

FREE OR SUBSIDISED MEALS

Free or subsidised meals provided on your employer's business premises, or in any canteen where meals are provided for staff generally, or a ticket or token used to obtain such meals, if:

- the meals are provided on a reasonable scale, and **either**
- all employees can get free or subsidised meals on a reasonable scale, whether on your employer's premises or elsewhere, **or**
- your employer provides free or subsidised meal vouchers for staff who do not get meals.

This concession does not apply, in the case of an hotel, catering or similar business, to free or subsidised meals provided for you in a restaurant or dining room at a time when meals are being served to the public, unless part of it is designated as being for the use of staff only.

MEAL VOUCHERS

Meal vouchers issued to you provided that:

- the vouchers are non-transferable, **and**
- they are used for meals only, **and**
- the value of vouchers issued to you does not exceed 15p for each working day, **and**
- where any restriction is placed on their issue, they must be available to lower-paid staff.

You pay tax on the value of any voucher or part of a voucher not meeting these conditions.

EXPENSES OF PROVIDING A PENSION

Expenses incurred providing any pension, annuity, lump sum, gratuity, or similar benefit to be given to you or to any member of your family or household on your retirement or death may not be shown on form P11D either because they are exempt or because they are entered elsewhere.

MEDICAL TREATMENT ABROAD

The cost of necessary medical treatment abroad paid for by your employer where you fall ill or suffer injury while away from the United Kingdom in the performance of your duties. The cost of providing insurance for you against the cost of such treatment is also non-taxable.

NURSERIES AND PLAYSCHEMES

Places in nurseries or playschemes on premises made available by your employer or, if your employer runs the nursery jointly with others, on premises made available by one or more of those others, provided that your employer participates in managing and financing the provision of care.

CERTAIN LIVING ACCOMMODATION

The cost of living accommodation provided for you if:

- it is necessary for the proper performance of your duties that you reside in the accommodation (see * below), **or**
- the accommodation is provided so that you can perform your duties in a materially better way, and you are in the kind of employment in which it is customary for employers in that business to provide accommodation (see * below), **or**
- there is a threat to your security and special security arrangements are in force and you reside in the accommodation as part of those arrangements.

If your living accommodation is exempt, any Council Tax your employer pays on your behalf or reimburses to you, will also be exempt.

* If you are a company director and the company, or an associated company, provides you with accommodation, you can only seek exemption in these circumstances if:

- you have no material interest in the company, **and**
- either you are a full-time working director, or the company is non-profit making, or is a charity.

See paragraphs 1.10 to 1.16 of *booklet 480* for more details.

PERSONAL INCIDENTAL EXPENSES (PIEs)

Payments that your employer makes for personal expenditure, up to certain limits, when you stay away from home for at least one night during a business journey. The maximum amounts of PIEs that may be paid without any tax consequences are:

- £5 per night for each night away during business journeys anywhere in the UK (Great Britain and Northern Ireland)
- £10 per night for each night away during business journeys outside the UK.

If the maximum for a business journey as a whole is exceeded, the full amount of the PIEs paid for that journey is taxable.

TRAVELLING EXPENSES OF DIRECTORS

- Journeys that qualify as business journeys are described on page EN7 of the Notes on Employment.
- Travel expenses paid to a director who gives his or her services without remuneration to a company not managed with a view to dividends.
- Reasonable travel expenses paid to a director by the company where the directorship is held as part of a professional practice, provided no claim is made for a deduction for that expenditure by the practice.
- Where a director's spouse accompanies the director on a business trip abroad because the director's health is so precarious that the director could not undertake the foreign travel alone, the expenses borne by the employer for the spouse's travel on that journey. The same principle applies to employees as it does for directors.

In all cases travel expenses include reasonable hotel expenses necessarily incurred.

TRAVELLING EXPENSES OF GROUP COMPANY EMPLOYEES

Where an employee has employments with two or more companies that are part of the same group of companies, any journey made between the places at which the duties of those employments are carried out is a business journey.

TRAVELLING AND SUBSISTENCE EXPENSES FOLLOWING STRIKE DISRUPTION

Reasonable expenses reimbursed to you, or paid on your behalf, if, because of dislocation of public transport by strikes or other industrial action, you:

- stay overnight in hotel or other accommodation, **or**
- incur extra costs in travelling to and from work.

DISABLED PEOPLE'S COST OF TRAVEL BETWEEN HOME AND WORK

Assistance with the cost of travelling between home and work given to severely and permanently disabled persons incapable of using public transport because of their disability. A car provided to enable you to travel between home and work is not taxed if:

- you are disabled, **and**

- the car has been adapted to the needs of your disability, **and**
- other private use by you or anyone else is prohibited, **and**
- no other private use of the car.

CERTAIN RETRAINING COSTS

Costs met by your employer for you if you are about to leave your employment, or have left within the previous year, to enable you to attend certain courses of re-training intended to help you get another job. If you have not left by the time you start the course, you must leave within two years after finishing it for the exemption to apply. The exemption is withdrawn if you are re-employed by the same employer in the two years following the end of the course. (The employer must tell the Inland Revenue office within 60 days of this happening.)

Exemption is only available if you have been in the full time employment of your employer for at least two years up to the time you begin the course (or at the time the employment ceased).

Courses must:

- teach or improve skills which will help you to find new work (and be entirely devoted to those objectives), **and**
- last no more than one year, **and**
- take place wholly in the UK.

You must attend the course on a substantially full time basis and the opportunity to attend it must have been given to all employees in a similar position.

Exempt expenses are:

- fees for the course
- fees for examinations taken during or at the end of the course
- the cost of essential books
- costs of travelling and subsistence to the extent that they exceed the costs normally incurred by you in travelling between your home and normal place of work (or former place of work).

EMPLOYER-FUNDED OR EMPLOYER-REIMBURSED TRAINING

This exemption covers the costs borne by your employer of work-related training within the whole range of practical or theoretical skills and competences you are reasonably likely to need in your present or likely future jobs with your employer. The exemption extends to:

- training activities such as first aid and health and safety in the work place
- employee development schemes
- activities intended to develop skills you need in leadership and teamwork, for example Raleigh International
- training which is provided by a third party rather than your employer.

All the ways in which training can be delivered are covered including full-time and part-time training, internal training courses run by your employer, courses which are run externally or by a third party, and courses which comprise any mixture of these.

The tax exemption also covers:

- travel and subsistence expenses, to the same extent as if you were undertaking employment duties whilst training
- other incidental costs, such as additional childcare expenses directly related to your undertaking the training in question
- costs which relate to examinations and registration of qualifications
- the costs of multi-media and distance learning aids, practical course materials and books.

Note: training, or training-related travel and subsistence, which is provided as entertainment, recreation, reward or an inducement remains taxable. Any asset provided to you or provided for your use is also taxable unless the asset is provided or used purely for training, or for training coupled only with use in the performance of the duties of your office or employment. Assets provided for private use remain chargeable in the normal way. You cannot get this exemption for reimbursed expenditure if you are entitled to claim Vocational Training Relief for the same expenditure.

INDIVIDUAL LEARNING ACCOUNTS

Costs borne by your employer in respect of education or training which you undertake

- as the holder of an account which qualifies under Section 104 of the Learning and Skills Act 2000 **or**
- under arrangements which qualify under Section 105 of that Act, or under Section 2 of the Education and Training (Scotland) Act 2000.

The exemption is similar to that for employer-funded or employer reimbursed training (see previous item), but there are important differences:

- the exemption applies to education or training provided for former employees of the employer, as well as existing employees
- the exemption does **not** cover the reimbursement of the costs of education or training that you pay for yourself, but it does cover the reimbursement of incidental expenses such as the cost of travelling to or from a training centre
- the exemption is due only if the arrangements under which the employer provides or contributes to the education or training are available to all current employees on similar terms.

LONG SERVICE AWARDS

Long service awards made to directors and employees as testimonials to mark long service where the service is not less than 20 years and no similar award has been made within the previous 10 years. These have to be:

- tangible articles of reasonable cost, **or**
- shares in an employing company (or another company in the same group).

The cost of an article is taken as reasonable where it does not exceed £20 per year of service.

SUGGESTION SCHEMES

Awards made to you under suggestion schemes where the following conditions are satisfied:

- there is a formally-constituted scheme under which suggestions are made, and it is open to all employees on equal terms
- the suggestion for which the award is made is outside the scope of your normal duties. The test is whether, taking account of your experience, you could not reasonably have been expected to put forward such a suggestion as part of the duties of your post (where meetings of employees are held for the purpose of putting forward suggestions, they should be regarded as part of their duties. Any consequential awards would be taxable.)
- awards other than encouragement awards are only made following a decision to implement the suggestion, and are made directly to the employee or employees concerned
- the decision to make an award other than an encouragement award is based on the degree of improvement in efficiency or effectiveness likely to be achieved. This is measured by:
 - the prospective financial benefits and the period over which they would accrue, **and**
 - the importance of the subject matter having regard to the nature of the employer's business
- the amount of an award does not exceed:
 - 50% of the expected net financial benefit during the first year of implementation, **or**
 - 10% of the expected net financial benefit over a period of up to five years subject to an overriding maximum of £5,000. Where an award exceeds £5,000, the excess is not covered by this concession
- where a suggestion is put forward by more than one employee, the award made is divided between them on a reasonable basis;
- any encouragement award is of £25 or less. An encouragement award is one which is made for a suggestion which has some intrinsic merit or reflects meritorious effort on the part of the employee in making the suggestion.

GOODWILL ENTERTAINMENT

Providing goodwill entertainment for an employee, or for a member of the employee's family or household, provided that:

- the person providing the entertainment is neither the employer, nor a person connected with the employer, **and**
- neither the employer nor a person connected with the employer has directly or indirectly procured the provision of the entertainment, **and**
- the entertainment is not provided either in recognition of particular services which the employee has performed in the course of the employee's employment or in anticipation of particular services which are to be performed by the employee in the course of the employee's employment.

This exemption applies only when the cost of the entertainment is assessable under Section 141 (vouchers), Section 142 (credit tokens) or Section 154 (benefits in kind). It does not extend to liability under Section 19 or Section 153.

CAR, MOTORCYCLE AND BICYCLE PARKING

The provision of car, or motorcycle parking space, or facilities for parking bicycles, at or near the employee's place of work.

CERTAIN GIFTS

Certain gifts from third parties if all these conditions are satisfied:

- the gift consists of goods or a voucher or token only capable of being used to obtain goods, **and**
- the person making the gift is not your employer or a person connected with your employer, **and**
- the gift is not made either in recognition of the performance of particular services in the course of your employment or in anticipation of particular services which are to be performed, **and**
- the gift has not been directly or indirectly procured by your employer or by a person connected with your employer, **and**
- the gift cost the donor £150 or less, **and**
- the total cost of all gifts made by the same donor to you, or to members of your family or household, during the tax year is £150 or less.

Some other gifts are not taxable. If you earn at a rate of less than £8,500 a year and are not a director, a gift to mark a personal occasion, such as a wedding present, which is not a reward of your employment, is not taxable. If you earn at a rate of £8,500 a year or more, or are a director, any gift from your employer is taxable unless your employer is an individual and makes the gift in the course of family, domestic or personal relationships.

WORK TO HOME TRAVEL PROVIDED WHEN YOU WORK LATE OR WHEN CAR SHARING ARRANGEMENTS ARE DISRUPTED

The cost of transport (for up to 60 journeys in the year) your employer provides to take you home if:

- you are occasionally required to work late (until 9pm or later) but those occasions are neither regular nor frequent, **and**
- by the time you can go home, either public transport between your place of work and home has ceased, or it would not be reasonable in the circumstances for your employer to expect you to use it, **or**
- you normally travel to and from work in a car shared with other employees, **and**
- you cannot get home in the shared car because of unforeseen circumstances which could not reasonably have been anticipated.

WORKS BUSES

The benefit of travel between home and work in a works bus, provided that:

- the bus has a seating capacity of 12 or more
- the bus is available to all employees
- substantially the whole use of the service is by employees (and their children).

CHRISTMAS OR OTHER ANNUAL PARTY

Annual parties or alternative functions of a similar nature, such as a Christmas dinner and a summer party, which are open to staff generally and which cost no more than £75 per head in total to provide.

SPORTS FACILITIES

Sports facilities generally available to all employees and members of their families and households. This does not apply to facilities:

- available to the general public, **or**
- consisting of, or provided in association with, overnight or holiday accommodation, **or**
- provided on domestic premises, **or**
- consisting of mechanically propelled vehicles or vessels such as cars, motorboats and aeroplanes.

TRAVELLING FROM OFFSHORE RIGS TO THE MAINLAND

Travelling facilities provided between the mainland and offshore oil or gas rigs or platforms. Where the timing of transport between the mainland and the rig make it necessary for employees to take overnight accommodation near the mainland departure point, subsistence expenses borne on behalf of or reimbursed to employees working on offshore oil or gas rigs or platforms.

WORKING RULE AGREEMENTS

There are limited concessionary elements in the tax treatment of travelling and subsistence allowances paid under Working Rule Agreements to some employees in the construction and allied industries. Any allowances or part of allowances covered by this concession will not be shown on the P11 D (or the information your employer provides) and need not be included on your Tax Return.

RELOCATION

See page EN5 of the Notes to the Employment Pages.

COUNSELLING

Most counselling services provided in connection with termination of employment are exempt from tax. There are detailed conditions to be satisfied. Ask your Inland Revenue office or tax adviser for further information.

WELFARE COUNSELLING

Welfare counselling made available to all employees generally on similar terms is exempt from tax. For this purpose 'welfare counselling' does not include:

- any medical treatment
- advice on finance or tax (other than debt counselling)
- advice on leisure or recreation
- legal advice

MOBILE TELEPHONES

A mobile telephone provided by your employer and any line rental for and calls with that telephone paid directly by your employer. Money your employer pays you to use your own mobile telephone, or any vouchers you are provided with to obtain or use a mobile telephone are taxable.

COMPUTER EQUIPMENT

The first £500 of the benefit of provided computer equipment and software, provided that the equipment is not provided under arrangements that are confined to directors or whose terms favour directors.

BICYCLES AND CYCLING SAFETY EQUIPMENT

The benefit of a bicycle and/or cyclist's safety equipment (or a voucher to obtain these) lent to you, provided that:

- such bicycles and equipment are available generally to employees of your employer, **and**
- your main use of the bicycle is for journeys between home and work or between workplaces.

LOANS USED FOR A PURPOSE WHICH ATTRACTS TAX RELIEF IN FULL

An interest free or low interest loan made to you by reason of your employment, provided that any interest which is payable on the loan, or would be payable if the loan were interest bearing, attracts tax relief in full. Loans which attract tax relief include

- Qualifying loans - see the note on box 15.2 of the tax return
- Loans on which any interest is deductible in computing the profits of a UK trade, profession or vocation or Schedule A business.

If an interest free or low interest loan attracts only partial tax relief on the interest - for instance a loan to buy a car you use to perform your duties - it is not exempt from tax. Show the cash equivalent of the loan in box 1.19 in the Employment pages and claim any relief due in box 15.2 of the tax return, or in computing the profits of the trade etc. in question.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.