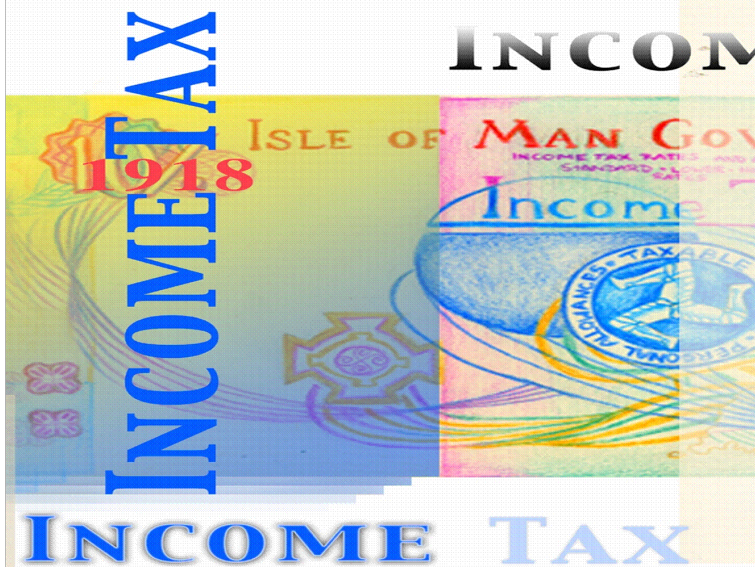




Isle of Man
Government

Reiltys Ellan Vannin



1. Introduction

Income tax was first introduced in the Isle of Man by the Income Tax Act 1918 which is described in its preamble as being "An Act to provide for a Tax on income". The system of taxation introduced by the Income Tax Act 1918 introduced was based broadly upon the system then in operation in the United Kingdom and in many respects the similarities remain. This is an important factor as regards the interpretation of the provisions of the Manx Income Tax Acts because in a case where the interpretation of a provision or an expression in those Acts has been the subject of an appeal in the courts of the United Kingdom, the judgment in that appeal is a persuasive authority for the adoption of the same interpretation in a similar case in the Isle of Man.

The Income Tax Act 1918 was followed by successive amending Acts in the years that followed until the then existing legislation was consolidated in the Income Tax Act 1946. This was, in turn, followed by successive amending Acts until the then existing legislation was consolidated in the Income Tax Act 1970. The Income Tax Act 1970 has since been amended by the —

- (i) Income Tax Act 1971;
 - (ii) Income Tax Act 1973;
 - (iii) Income Tax Act 1974;
 - (iv) Income Tax Act 1976;
 - (v) Income Tax Act 1978;
 - (vi) Income Tax (Retirement Benefit Schemes) Act 1978;
 - and
 - (vii) Income Tax (Amendment) Act 1979.
- These Acts are collectively referred to as being "the Income Tax Acts 1970 to 1979". Section 120 of the Income Tax Act 1970 includes the following definitions—
- "Income Tax Acts" means this Act and any other enactment relating to income tax;
- "Manx income tax" and "Manx tax" means income tax payable under the Income Tax Acts.
- The Income Tax Bill 1979 contains the new income tax provisions that were proposed by the Finance Board as a part of the Budget for 1979/80. The Bill was given its first and second readings by the House of Keys on 30th October and 6th November, 1979, respectively. It was then referred to a Select Committee for consideration. As it is unlikely to complete all its stages and obtain the Royal Assent before some time in 1980, the Bill is likely to be known as the Income Tax Act 1980 when it is enacted. It is proposed that the provisions of this Bill, when enacted, shall have effect in respect of the income tax year commencing on 6th April, 1979, and of each succeeding income tax year.

Expenses and Benefits in Kind Guide 2023

Guidance Note – GN40

PLEASE NOTE:

This guidance has no binding force and does not affect your right of appeal on points concerning your liability to tax.

The information in this booklet can be provided in large print on request.

CONTENTS

1	Introduction	6
1.1	Overview	6
1.2	Compliance and penalties	7
1.3	Legislation	7
2	Expenses and Reimbursements	8
2.1	Dispensations.....	8
2.2	Expenses covered by a dispensation.....	9
2.3	Applying for a dispensation	9
2.4	Automatic dispensation for employees working from home due to COVID-19	10
2.5	Record keeping	10
2.6	Summary of treatment of expenses.....	10
3	Benefits in Kind – An Overview	12
3.1	Company car and fuel benefits.....	13
3.2	General benefits	13
3.3	Exemptions.....	14
4	Cars and Other Vehicles.....	15
4.1	Company cars	15
4.2	Information needed in order to calculate the benefit in kind charge and complete form T9 for a company car.....	15
4.3	Mileage records	16
4.4	Circumstance in which the benefit in kind charge for a company car may be reduced	16
4.5	Use of more than one car at the same time	16
4.6	Change of company car during the year	17
4.7	Home to work travel only	17
4.8	Leased vehicles	17
4.9	Pool cars.....	17
4.10	Vans and Lorries.....	18
4.11	MPVs, SUVs, 4 x 4s and double cab pick-ups.....	18
4.12	How to calculate the charge for a vehicle other than a car	18
4.13	Employee on 24 hour call	18
4.14	Emergency vehicles	19
4.15	Electric Cars.....	19
4.16	Company minibuses or coaches	19
4.17	Transfer of a company car to the employee	19
5	Fuel and Business Mileage.....	19
5.1	Company cars	19
5.2	Business use of a vehicle owned by an employee	20

5.3	What is a business journey?	20
5.4	What is a private journey?.....	20
5.5	What is a split journey?.....	20
5.6	Business journey when home is a place of work	21
6	Accommodation	21
6.1	How to calculate the benefit in kind charge.....	21
6.2	Payment of utility bills or other expenses connected with living accommodation	21
6.3	Employee contributions towards the cost of accommodation	22
6.4	Job related accommodation	22
6.5	Agricultural workers.....	22
6.6	Directors and their dependants	22
7	Meals	23
7.1	Staff canteen	23
7.2	Light refreshments /incidentals	23
7.3	Chargeable meals	23
7.4	Luxury foods.....	23
7.5	Employer accounts with food retailers	24
7.6	Employee contributions.....	24
8	Other General Benefits	24
8.1	Car parking fees	24
8.2	Car parking - free or subsidised space provided.....	24
8.3	Childcare	24
8.4	Christmas parties.....	25
8.5	Company credit cards and company accounts with suppliers	25
8.6	Company mobile telephone	25
8.7	Company prize draws.....	25
8.8	COVID-19 testing	25
8.9	Cycle to work	25
8.10	Discounts on merchandise.....	26
8.11	Employee death or retirement	27
8.12	Gym membership/ golf club/ health club.....	27
8.14	Home landline telephone.....	27
8.15	Loans	27
8.16	Long service awards	28
8.17	Medical insurance	28
8.18	Periodicals and journals.....	29
8.20	Personal expenses and pecuniary liabilities	29
8.21	Personal use of a company asset (other than cars or accommodation)	29

8.22	Professional subscriptions.....	30
8.23	Public transport travel tickets.....	30
8.24	Readily convertible assets	30
8.25	Relocation expenses	31
8.26	School fees	31
8.27	Share awards and share schemes	31
8.28	Sporting and recreational facilities provided at an employer's business premises	32
8.29	Staff entertaining.....	32
8.31	Travel.....	33
8.32	Tuition/training	34
8.33	Uniforms and special clothing	34
8.34	Vouchers	34
9	Employer Meeting the Benefit in Kind Charge for an Employee	35
10	Employer Obligations.....	35
11	Contact Details	35

1 Introduction

This guide is designed to provide employers and tax practitioners with information about how to comply with their obligation to ensure that expenses and benefits in kind are correctly reported and charged to income tax and National Insurance, as appropriate.

It provides information regarding:

- what should be reported and when
- expenses and dispensations
- how the benefit in kind rules operate
- how to identify and value each type of benefit
- the various exemptions available

This guide is supplementary to, and should be read in conjunction with, Guidance Note GN46: Employer's Guide to Income Tax Instalment Payments (ITIP) and National Insurance Contributions (NICs) – hereafter referred to as "[GN46: Employer's Guide](#)". Please see [GN46: Employer's Guide](#) for full details as to how benefits and expenses should be reported and for details regarding record keeping requirements and general compliance measures including penalties.

Employers and their agents should familiarise themselves with the rules regarding expenses and benefits in kind in order to avoid penalties being charged for failure to report payments and benefits at the correct time and in the correct manner.

Please note that it is not possible to provide guidance that will apply in every situation. This guide should not be treated as a complete and authoritative statement of the law. If after reading this guide you have any questions about benefits in kind or expenses you should contact your tax adviser or the Income Tax Division using the contact details at the end of this guide.

1.1 Overview

An employer is required, in most cases, to report expenses and benefits provided to employees or directors to the Income Tax Division ("the Division"). Guidance Note [GN46: Employer's Guide](#) contains details on how and when to report.

Expenses covered by a dispensation (see section 2.1) and benefits that are exempt from charge (see section 3.3) do not need to be reported to the Division, but full records must be retained by the employer in all cases.

Some examples of expenses and benefits that might be provided by an employer are:

- company cars and fuel
- private medical insurance
- travel costs
- meals
- childcare

The above could be genuine business expenses, chargeable benefits or exempt benefits, depending on the reasons the costs were incurred.

What needs to be reported to the Division and how it should be reported will differ according to the type of expenses or benefits provided, as will the tax and National Insurance treatment.

1.2 Compliance and penalties

Failure to comply with reporting obligations and/or to maintain records can result in penalties being issued. For full details of employer obligations, general compliance measures and penalties, please refer to [GN46: Employer's Guide](#).

1.3 Legislation

1.3.1 Expenses and benefits in kind

The legislation that sets out the basis for the charge to income tax in respect of expenses and benefits is contained in sections 2F to 2KA of the Income Tax Act 1970.

Schedule 1B of the Income Tax Act 1970 supplements sections 2I and 2J and provides further information regarding the taxation of cars and fuel.

1.3.2 Exemptions Orders

In addition, the following Orders specify the exemptions provided for by Treasury under section 2G(4) of the Income Tax Act 1970:

- Income Tax (Benefits in Kind) (Exemptions) Order 2007 (SD 471/07)
- Income Tax (Benefits in Kind) (Exemptions) Order 2016 (SD 2016/0028)
- Income Tax (Benefits in Kind) (Exemptions) Order 2017 (SD 2017/0022)
- Income Tax (Benefits in Kind) (Exemptions) (Amendment) Order 2018 (SD 2017/0373)
- Income Tax (Benefits in Kind) (Exemptions) Order 2020 (SD 2020/0429)
- Income Tax (Benefits in Kind) (Exemptions) (Amendment) Order 2020 (SD 2020/0030)

Copies of the Orders can be found on the Division's website under [Regulations and Orders](#).

1.3.3 NICs

The following primary and secondary legislation is relevant to the NIC treatment of remuneration, benefits in kind and expenses:

- Social Security Contributions and Benefits Act 1992 (as it is applied to the Isle of Man)
- Social Security Administration Act 1992 (as it is applied to the Isle of Man)
- Social Security (Contributions) Regulations 2001 (as applied to the Isle of Man)
- Social Security (Categorisation of Earners) Regulations 1978 (as applied to the Isle of Man)

<https://www.gov.im/media/1375242/social-security-legislation-contents-180522.pdf>

2 Expenses and Reimbursements

The legislation relating to the tax treatment of expenses is set out in section 2F of the Income Tax Act 1970.

This requires any payment of reimbursed business expenses made to an employee to be treated as remuneration attributable to their employment and to be subject to ITIP deductions.

However, if a dispensation (see section 2.1 below) has been granted by the Division, the employer will not be required to subject the reimbursement of agreed expenses to ITIP deductions or to report them on either form T9: Return of Expenses Payments and Benefits or form T14: ITIP and NI Deduction Card.

Dispensations do not cover reimbursement of an employee's personal expenditure.

For NIC purposes, specific and distinct reimbursements of (or contributions towards) genuine business expenses actually incurred by the employee may be disregarded, regardless of whether the expenses are covered by a dispensation for ITIP purposes.

In cases where an employer pays for an employee's personal expenses and these personal expenses are not fully reimbursed back to the employer, the tax and NIC treatment will depend on whether the contract or invoice is in the name of the employer or the employee. Where the contract is between the supplier and the employer, there will be no liability to Class 1 NICs and the amount should be reported on form T9 as a benefit in kind. Where the contract is between the supplier and the employee, the employer is meeting a pecuniary liability of the employee. This should be treated as remuneration, through payroll, for tax and NIC purposes and reported on form T14. - (see section 8.20)

2.1 Dispensations

A dispensation is a notice issued to an employer by the Division that relieves the employer from the requirement to deduct ITIP from business expenses payments and from the requirement to report those payments on form T9.

It indicates that the Division is satisfied that there are sufficient controls in place within the business to ensure that:

- business expenses claims are genuinely business in nature
- receipts are provided to back up expense claims made by employees
- employees do not profit from the reimbursement of out of pocket expenses
- directors do not sign off their own expenses
- there is third party checking of expenses paid for directly by a business to ensure that there are no private expenses, which would need to be repaid in full to the company to avoid a tax charge
- petty cash is monitored and controlled effectively by a business

An employee or director who authorises their own expenses will be excluded from a dispensation and any reimbursed expenses should be reported through payroll and subject to ITIP. The individual can make a claim for the actual expenses incurred on their annual personal income tax return. Please note that any genuine and distinct business expenses that can be clearly identified as such are not liable to NICs and can be excluded from the NIC calculations; however, where it is not possible to distinguish between business and non-business expenses, NICs will be due on the full amount.

2.2 Expenses covered by a dispensation

A dispensation can cover any type of genuine business expenses payment apart from a round sum allowance. Payments typically covered by a dispensation include:

- business travel and accommodation
- subsistence costs relating to business travel
- business entertaining

A dispensation cannot cover any round sum allowance paid. A round sum allowance is a set amount that is paid to cover an expense that may or may not be incurred, e.g. an employee might be given an annual car allowance of £5,000 instead of being provided with a company car.

Any round sum payment made or any expenses repaid without the production of a receipt should be paid through the payroll and subject to ITIP and NICs. The employee can make a claim for any actual business expenses they incurred on their annual return of income. Any genuine and distinct business expenses that can be identified are not liable to Class 1 NICs and can be excluded from the NIC calculations; however, where it is not possible to distinguish between business and non-business expenses, NICs will be due on the full amount.

It is, however, possible for an employer to agree reasonable scale rates for subsistence and incidental overnight expenses with the Division as part of a dispensation.

When a dispensation is agreed, it will clearly state which employees it will apply to and who will be excluded.

2.3 Applying for a dispensation

To apply for a dispensation please write to the Employers Team in the Income Tax Division, setting out:

- the employees or group of employees to be covered by the dispensation
- the types of reimbursements to be included within the dispensation
- the types of direct expenses that the business pays for on behalf of its employees which are required to be included within the dispensation e.g. company accounts with suppliers, company credit card
- the amounts of any proposed scale rate payments
- details of the system for controlling and authorising any reimbursements, to ensure that any expense claim is receipted and genuinely business in nature
- details of the system for controlling any expenses paid directly by the employer, to ensure that there are no personal expenses being met by the business on their employees' behalf

If the business has specific rules regarding the reimbursement of expenses, please provide a copy of the rules and a copy of an expenses claim form with the dispensation request.

It is important to note that a dispensation only continues to be effective for as long as the circumstances remain unchanged or until it is withdrawn.

2.4 Automatic dispensation for employees working from home due to COVID-19

Special measures to manage the impact of the COVID-19 pandemic on the Island may, at times, require that as many employees as possible work from home. As working from home can result in an increase in household expenses, such as heating and electricity, special “Working from Home Arrangements” were introduced retrospectively from 2 March 2020.

Under the special Working from Home Arrangements an employer may reimburse an amount of up to £8 per week or £35 per month without reporting the reimbursement through payroll. In effect, amounts below these levels qualify for an automatic dispensation.

Please see [Practice Note PN213/20](#) for further information.

2.5 Record keeping

It is essential to keep records of all expenses paid, whether covered by a dispensation or not.

The Division may require the employer to evidence that the expenses have been treated correctly and the employer must be able to identify the business expense. Evidence of the business expense is required to establish:

- the amount of business expense
- that the employee incurred the expense while carrying out their work

The type of evidence will depend on the item of business expenditure. For example, evidence could include:

- a log of business phone calls or visits
- credit card bills
- receipts
- work diaries showing the employee’s engagements

See [GN46: Employer’s Guide](#) for further details of record keeping requirements.

2.6 Summary of treatment of expenses

The following table outlines the treatment applied to various types of employee expenses:

Type of expense	No dispensation	With dispensation
Genuine business expenses met by employer	No dispensation required as: <ul style="list-style-type: none"> - Genuine business expenses - Directly met by employer Nothing to report via payroll or form T9	No dispensation required as: <ul style="list-style-type: none"> - Genuine business expenses - Directly met by employer Nothing to report via payroll or form T9
Genuine receipted business expenses met by employee and reimbursed by employer	Reimbursed expenses should be paid via payroll and subject to ITIP but not NICs. They can be claimed as an expense on the employee’s annual return form.	Expenses can be reimbursed directly without deduction of ITIP and NICs

Type of expense	No dispensation	With dispensation
Personal expenses met by employer where contract is between employer and supplier	No liability to Class 1 NICs, but the amount should be reported on form T9 as a benefit in kind	No liability to Class 1 NICs, but the amount should be reported on form T9 as a benefit in kind*
Personal expenses met by employer where contract is between employee and supplier	The employer is meeting a pecuniary liability of the employee (see section 8.20). Treat as remuneration, through payroll, for tax and NIC purposes and reported on form T14	The employer is meeting a pecuniary liability of the employee (see section 8.20). Treat as remuneration, through payroll, for tax and NIC purposes and reported on form T14
Personal expenses met by employee and reimbursed by employer – e.g. home to work travel	Reimbursed personal expenses should be paid via payroll and subject to ITIP and NICs	Reimbursed personal expenses should be paid via payroll and subject to ITIP and NICs*
Round sum allowances and payments of non-receipted expenses	Round sum allowances should be treated as remuneration and subject to ITIP and NICs through payroll	Round sum allowances should be treated as remuneration and subject to ITIP and NICs through payroll *
Scale rate subsistence payments and other non-receipted expenses	Non-receipted expenses should be paid via payroll and subject to ITIP and NICs	Reasonable scale rates for subsistence and incidental overnight expenses can be agreed in a dispensation. Agreed scale rate payments can therefore be made without deduction of ITIP and NICs
Reimbursement of business mileage at Government-agreed mileage rates (see section 5.2)	No dispensation required. Reimbursements can be made without subjecting the payments to ITIP and NICs	No dispensation required. Reimbursements can be made without subjecting the payments to ITIP and NICs
Reimbursement of business mileage at rate in excess of Government-agreed mileage rates (see section 5.2)	Reimbursements at Government agreed rates may be made without subjecting the payments to ITIP and NICs. Any excess should be treated as additional remuneration, paid through payroll and subject to ITIP and NICs.	Reimbursements at Government agreed rates may be made without subjecting the payments to ITIP and NICs. Any excess should be treated as additional remuneration, paid through payroll and subject to ITIP and NICs.
Reimbursement of receipted business fuel expenses met by employee and reimbursed by employer	Reimbursed expenses should be paid via payroll and subject to ITIP but not NICs	Expenses can be reimbursed directly without deduction of ITIP and NICs
Reimbursement of additional household expenses incurred due to working from home during COVID-19	Automatic dispensation for reimbursements up to £8 per week or £35 per month. Reimbursements can be made without subjecting the payments to ITIP and NICs	Automatic dispensation for reimbursements up to £8 per week or £35 per month. Reimbursements can be made without subjecting the payments to ITIP and NICs

* Personal expenses and round sum allowances cannot be covered by a dispensation

If reimbursed expenses that are not covered by a dispensation have not been reported as remuneration through the payroll, it is important to indicate on the benefit in kind form T9 that these expenses have not had ITIP and/or NICs deducted and are not included in the figure of total pay on the form T14. These amounts should have been subject to tax (and, in some cases, NICs) through the payroll. In these circumstances, where the reimbursed expenses have not been correctly treated during the tax year, it is important to rectify the position before submitting the end of year return. The employer should contact the Employer Team in the Division for guidance on correcting the position.

3 Benefits in Kind – An Overview

A benefit in kind is a 'payment' to an employee, office holder or connected person, but in a different form to salary or wages. It is a consideration which may be offered in lieu of cash. The value of any chargeable benefits should be reported to the Division on form T9.

As a general rule, benefits in kind that are reportable on form T9 are not subject to NICs; however, where the benefit can be considered to be a "readily convertible asset", NICs will be due on the value of the benefit. In such cases, there is a divergence between the income tax and NIC reporting requirements, as the benefit should be reported on form T9 for tax purposes, but via payroll for NIC purposes. See section 8.24 for further details.

Employers and their agents should familiarise themselves with the rules regarding benefits in kind, as penalties may be charged where benefits are not correctly reported.

The taxation of benefits in kind also extends to goods, services and gifts made available to family or household members of an employee or director. Family or household members can include an employee's spouse, children and their spouses, parents, dependents and guests.

An employer must submit form T9 even when the individual receiving the benefit has not been notified to the Division as an employee and is not issued with a T14 at the end of the year. An example of this would be where a company provides benefits to a director who does not receive any other form of remuneration.

In these cases, the T9 should be submitted together with those for employees for whom T14s are submitted. If the company has not registered as an employer, the T9 should be submitted to the Division marked "no employer role exists".

In strictness, the company has a requirement to register as an employer because it is providing taxable benefits but, as it is not making payments of remuneration, the Division does not enforce the registration requirement. The company does, however, have a statutory obligation to submit the form T9 by the due date, and penalties may be issued if the T9 is filed late or not at all.

All benefits will fall into one of two categories, each with their own rules for calculation and reporting purposes. These are:

- benefits relating to the provision of company cars and fuel
- general benefits

3.1 Company car and fuel benefits

Any car or fuel benefits provided under sections 2I, 2J and 2K of the Income Tax Act 1970 should be included on form T9 and are subject to a benefit in kind charge. Reference should be made to the table in 4.1 to determine the benefit in kind charge for a car and/or fuel.

Genuine business mileage reimbursed in line with the Government agreed rates shown in 5.2 will not be subject to a benefit in kind charge.

3.2 General benefits

The term general benefits applies to all benefits that are not subject to their own specific charging rules (i.e. cars and fuel.)

General benefits can include rights, privileges or services as well as assets. For example, a benefit in kind may be provided when an employer:

- provides an employee with free or below market value accommodation
- provides the employee with a gym or golf club membership
- provides entertainment by way of free tickets to concert
- provides for the private education or university fees of an employee's child
- allows an employee to take free meals, food or drink from the business during the course of a day
- gifts an asset to an employee

The benefit in kind rules will apply where the contract governing the payments – for example, a gym membership or school fees for an employee's children – is between the employer and the supplier and the employer pays the supplier directly.

Where an employer meets a 'pecuniary liability' or any personal expense of an employee this may be a benefit in kind or simply additional remuneration, depending on whether the supplier contract is with the employer or the employee. If the contract is between the employer and the supplier, this will constitute a benefit in kind which should be reported on form T9. If the contract is with the employee, the employer is meeting the employee's personal expenses. This should be treated as remuneration, through payroll, for tax and NIC purposes and reported on form T14. See section 8.20 for further guidance on employers meeting the personal expenses of their employees.

Generally, the value of a benefit is the cost to the employer in providing that benefit, but there are specific rules for calculating the value of certain benefits. These will be covered in more detail in the section about the particular benefit.

If an employee contributes towards the cost of the benefit, there may be no cost to the employer at all.

If the employer deducts an employee's contribution towards a benefit directly from their salary, it should be deducted from the employee's net pay **after** deductions of ITIP and National Insurance. The payslip issued to the employee should reflect this position.

In no circumstances should the deduction for the contribution by the employee be made from gross pay prior to any required deductions of ITIP or National Insurance.

3.3 Exemptions

There are certain general benefits which are exempt from a benefit in kind charge by the Exemption Orders listed in section 1.3.2

Currently, the general benefits in kind listed below are specifically exempt from charge, subject to certain conditions and limits:

- accommodation used **solely** for performing duties – see section 6.4
- broadband connection, where personal computer also provided – see section 8.13
- car parking – see sections 8.1 and 8.2
- childcare, to enable employees to attend work – see section 8.3
- Christmas party expenses up to £100 per head – see section 8.4
- commercial vehicles, such as vans or lorries – see sections 4.10 and 4.12
- COVID-19 testing – see section 8.8
- cycle to work – see section 8.9
- home computer and related expenses – see section 8.13
- meals in a staff canteen – see section 7.1
- medical insurance, dental insurance and health screening for employees – see section 8.17
- mobile telephone, provided the contract is in the name of the employer – see section 8.6
- public transport season tickets or multi-journey tickets provided by the employer – see section 8.23
- reasonable relocation expenses – see section 8.25
- retirement and death benefits - see section 8.11
- sports and recreational facilities at an employee's place of work – see section 8.28

In addition to the specific exemptions listed above there is a further exemption with regard to the aggregate value of all the general benefits received in the year.

Prior to 6 April 2023 if the aggregate total of general benefits provided exceeded £600, the total value of the general benefits provided were chargeable and reported in full on form T9.

From 6 April 2023, only the amount of general benefits in kind above £600 are subject to income tax. The first £600 is exempt. This will not apply in respect of accommodation and associated expenses. The treatment of bicycles, cars and fuel remains unaffected.

Important: the full amount of benefit should be reported on the T9 benefit in kind form as the £600 exemption will be applied on submission.

If the general benefits equal £600 or below, this does not need to be reported unless the employee also has the provision of an electric bicycle in the same tax year.

The exemption is based on £600 per employee, per employer.

An employer does not need to report exempt benefits on form T9, but full records of all benefits provided must be maintained. See [GN46: Employer's Guide](#) for full details of record keeping requirements.

Sections 4 to 7 provide further information about the most common types of benefits provided by employers to their employees – cars and fuel, accommodation and meals - while section 8 provides details of other general benefits provided to employees.

4 Cars and Other Vehicles

This section of the guide details the various benefit in kind implications regarding the provision of company vehicles to employees and the use of private vehicles for business purposes.

4.1 Company cars

If an employee or a company director/office holder is provided with a car by their employer and is allowed private use of the car (even if this private use results from the employer insisting on the employee taking the vehicle home), a benefit in kind charge will arise.

For benefit in kind purposes, a car can be described as a road vehicle, usually with four wheels and powered by an internal combustion engine, primarily designed to carry passengers (see also section 4.11).

To calculate the benefit in kind due, reference should be made to the published Car and Fuel Benefit Tables that establish flat rate cash equivalents for the provision of a company car (and fuel, if applicable) for benefit in kind purposes. The information is provided in form R22(b) and can be found on the [‘Forms’](#) page of the Division’s website under “Employers’ Forms”. The values applying at the date of publication of this guide (6 April 2020) are as follows:

TABLE OF FLAT RATE CASH EQUIVALENTS APPLICABLE FOR 2009/2010 AND SUBSEQUENT TAX YEARS

Cylinder capacity of car (in cubic centimetres)	Cash equivalent in respect of car	Cash equivalent in respect of fuel
Electric car (not hybrid)	Nil	Nil
1,000 or less	£800	£800
1,001 to 1,200	£1,100	£950
1,201 to 1,800	£3,600	£1,500
1,801 to 2,500	£5,000	£1,750
2,501 to 3,500	£7,000	£2,000
3,501 to 5,000	£10,000	£2,250
More than 5,000	£12,000	£2,500

4.2 Information needed in order to calculate the benefit in kind charge and complete form T9 for a company car

To complete form T9 and to calculate the benefit in kind charge using the table at 4.1 the employer will need to know:

- the Vehicle Registration
- the cylinder capacity (cc) of the car
- the period of use of the car (see 4.4)
- the amount (if any) paid by the employee for the use of the vehicle

If fuel is also provided by the employer, there may also be a charge for this. See 5.1, below.

4.3 Mileage records

Business mileage is not taken into account in determining the benefit in kind charge for the provision of a company car.

4.4 Circumstance in which the benefit in kind charge for a company car may be reduced

The benefit in kind charge may be reduced for the following reasons:

- the car was unavailable for part of the year. The benefit in kind charge for a car should be time apportioned based on the number of days made available to reflect the appropriate period of use; or
- the employee pays a contribution to the employer for the use of the car.

4.4.1 Car 'unavailable for use'

Where a car is unavailable for any part of the tax year, the car benefit is reduced proportionately. This would apply if a car is first provided or ceases to be provided part way through the year – see section 4.6.

A car would also be regarded as unavailable if it was incapable of being used at all for at least 30 consecutive days – if it was, for example, undergoing repairs at a garage.

4.4.2 Employee contribution towards the use of the vehicle

If an employee is required, as a condition of the car being made available for private use, to pay a contribution towards the car, the car benefit in kind charge can be reduced by the amount paid by the employee.

If the employee's payment meets or exceeds the benefit in kind charge, then the taxable amount is NIL.

It is important to note that any contribution towards the purchase cost will not reduce the benefit in kind charge as the original market value or cost is disregarded for the purposes of calculating the charge.

A contract of employment should specify what the contribution covers.

It is important to differentiate between the treatment of a contribution towards the use of the car and a contribution towards fuel provided by an employer. The benefit in kind charge for fuel is an "all or nothing" charge (see also 5.1 below).

4.5 Use of more than one car at the same time

If more than one car is made available to an employee or a member of their family at the same time, the benefit in kind charge for each car is applied in full without alteration.

4.6 Change of company car during the year

When an employee's company car is changed during a tax year, the benefit in kind charge should be calculated using the table at 4.1 for each car. The benefit in kind charge for each car should then be time apportioned based on the number of days made available to reflect the appropriate period of use.

4.7 Home to work travel only

Home to work travel is a private journey, sometimes referred to as "ordinary commuting". The benefit in kind charge should, strictly, be calculated using the table at 4.1.

If, however, a company car is available for home to work travel **only**, the benefit in kind may be calculated using the approved pence per mile rates as shown in 5.2.

In order for an employee to qualify for these pence per mile rates, there must be a change to the contract of employment, confirming that the only private mileage allowed by the employee is home to work mileage.

A copy of the contract of employment should be forwarded to the Division to confirm this change. In the event that the employer fails to comply with this, the full benefit in kind charge (calculated using the table at 4.1) should be applied.

4.8 Leased vehicles

A benefit in kind charge (calculated using the table at 4.1) will arise when a car is made available by their employer, regardless of whether the employer owns the car or has leased it.

4.9 Pool cars

A pool car is a car made available to, and used by, more than one employee. It should not be used by one employee to the exclusion of others and should be kept overnight at the premises of the employer.

A genuine pool car should, with the exception of incidental private use, not be available for private use and no benefit should arise.

Reasons such as parking difficulties or possible vandalism cannot be used as an explanation for the employees taking the car home. In these circumstances, the car will be a company car, not a pool car, and T9 forms should be submitted accordingly.

A pool car will normally be a car that:

- is either kept on business premises, in a car park adjacent to the business premises or locked in a compound adjacent to the business premises at weekends/ weeknights
- is insured for a number of different employees
- is driven by a number of different employees
- has a log maintained of the users of the vehicle
- is available for business use only

It will not be a car that:

- is taken home at weekends/ weeknights by employees

- is insured for a single employee
- is driven by a single employee
- has no log maintained of the users of the vehicle
- is available for business and personal use

4.10 Vans and Lorries

Commercial vehicles such as vans and lorries are exempt from a benefit in kind charge provided that the **main** purpose of the vehicle within the business is one of the following:

- the transportation of goods or materials used within the trade
- the transportation of goods in the course of conducting a delivery service
- the transportation of tools or equipment used by the employee in performing their duties

If the employer's business does not involve the above, a van or other commercial vehicle provided for the personal use of an employee or director will not be exempt.

4.11 MPVs, SUVs, 4 x 4s and double cab pick-ups

Multipurpose Vehicles (MPVs) and Sports Utility Vehicles (SUVs) will not normally qualify for the commercial vehicle exemption and will be treated as a car. A vehicle fitted with a second row of seats is primarily designed to carry passengers and will be treated as a car.

MPVs and SUVs include:

- double cab pick-ups
- 4 x 4s
- people carrier

4.12 How to calculate the charge for a vehicle other than a car

If a motorcycle or a van (other than one which qualifies for exemption) is available for private use by an employee, then the benefit in kind charge will be 20% of the market value of the vehicle when first made available plus the value of fuel used for private journeys.

An employee may opt to be charged in line with the car and fuel tables at 4.1 if they consider that would be more favourable.

4.13 Employee on 24 hour call

If an employee is required under their contract to be on 24 hour call and the only private journey permitted in the car is between home and work, this private use can be discounted and there will be no car benefit.

If general private use of the car is permitted, a car benefit will be charged in the normal manner, even if the employee is on 24 hour call, unless the car falls into the category of an emergency vehicle (see section 4.14 below).

Employers who believe that their employee may qualify for this exemption should contact the Division to ensure that their determination is correct.

4.14 Emergency vehicles

Where a vehicle is fitted out as an emergency vehicle, used to attend emergencies, and is also made available to an employee for personal use, a case may be made to the Division requesting an exemption from the imposition of a benefit in kind charge.

Employers who believe that their employee may qualify for this exemption should contact the Division to ensure that their determination is correct. Electric cars

4.15 Electric Cars

A car solely powered by electricity is exempt from charge, as per Schedule 1B of the Income Tax Act 1970.

Hybrid cars are **not** exempt.

4.16 Company minibuses or coaches

A minibus normally would have a seating capacity of between 9 and 12.

If a minibus is made available for personal use and taken home by one employee, a company car benefit will arise and should be calculated using the table at 4.1.

If employees are picked up by a company minibus or coach only for journeys between home and work and journeys between one job and another, there will be no benefit in kind charge.

4.17 Transfer of a company car to the employee

When a company car is given to an employee, a benefit in kind charge will arise, unless the employee pays the employer its market value at that time.

Providing the car has been used or depreciated by the company prior to the transfer, the benefit in kind charge is the open market value of the car at the time it is transferred to the employee.

If the car has not been used or depreciated by the company before it is transferred to the employee, the benefit in kind charge is the higher of:

- the open market value at the time of transfer; and
- the cost to the employer of providing the benefit.

5 Fuel and Business Mileage

5.1 Company cars

There will be a benefit in kind charge when the employer provides fuel for any mileage other than business mileage. This charge is separate to the benefit in kind charge for making the car available for the employee's use - see section 4.1 for rates and guidance.

It is important to note that the benefit in kind charge for fuel is an "all or nothing" charge. This means that unless the full cost of private fuel is paid for by the employee, the full fuel benefit in kind charge will apply.

5.2 Business use of a vehicle owned by an employee

If an employer pays a reasonable mileage allowance that reimburses the employee for business travel only, this may be paid without a tax deduction. There is no requirement to report these payments or to apply for a dispensation as long as the pence per mile rate paid does not exceed the rates published by the Division (see below). However, records must be maintained for inspection on request.

Pence per mile rates effective from 23 May 2022.

Type of vehicle	First 6,000 miles (in a tax year)	Over 6,000 miles	Off Island travel
Motor Vehicle	57	39	39
Motor Cycle	30	20	20

Pence per mile rates effective from 1 January 2015 to 22 May 2022*:

Type of vehicle	First 6,000 miles (in a tax year)	Over 6,000 miles	Off Island travel
Motor Vehicle	50	34	34
Motor Cycle	26	17	17

* If the rates for periods prior to 1 January 2015 are required, please contact the Division.

Where an employer pays a mileage allowance in excess of the agreed rates then, unless the fuel and related costs are covered by a dispensation and reimbursed on a receipts basis, any excess over the agreed pence per mile rates should be treated as additional remuneration, subjected to ITIP and National Insurance, and reported on form T14.

5.3 What is a business journey?

A business journey is one which involves travel from one place of business to another. Business journeys would normally be:

- travel to and from office to customer or supplier premises
- travel to an alternative business destination that is not the employee's regular place of employment e.g. an auditor who is required to undertake their duties away from their normal office
- travel to a location where the employee performs substantial duties e.g. an architect visits a building site to check plans on the way to the office

5.4 What is a private journey?

A private journey is any journey other than a business journey and includes home to work travel.

5.5 What is a split journey?

In some cases a journey can be a split journey, including both some business and some private travel. In these cases the private journey element will be subject to a benefit in kind charge.

A split journey could be:

- a journey from home to client premises then office – home to client is private, while client to office is business
- a journey from office to alternative business destination via destination for private purposes e.g. employee leaves work to attend meeting at other business premises, but detours to purchase private goods from high street store before continuing to final destination – office to private destination is private, while onward journey to final destination is business

5.6 Business journey when home is a place of work

Where an employee works from home, it is unlikely that travel between home and another permanent workplace would qualify as a business journey. This is because working from home is generally a choice on the part of the individual and not a business requirement of their employer.

Employees who work at home would, however, be entitled to treat any travel between home and client premises, or between home and a temporary workplace, as business journeys.

6 Accommodation

If an employee or director is provided with living accommodation by their employer, a benefit in kind charge will arise in the majority of cases. The taxable benefit should be reported on form T9 under Section 2: Living Accommodation.

6.1 How to calculate the benefit in kind charge

Where the property is owned by the employer, the benefit in kind value is based on the annual open market rental value of the property, less any contribution made by the employee.

Where the accommodation provided is rented by the employer, the benefit value is the higher of the rent paid or the open market rental value, less any contribution made by the employee.

For further details as to how the annual value should be calculated see Section 2H (9) of the Income Tax Act 1970.

6.2 Payment of utility bills or other expenses connected with living accommodation

Where the employer pays utility bills or meets the cost of other expenses connected with the provision of accommodation to an employee, this may be a benefit in kind or simply additional remuneration, depending on whether the supplier contract is with the employer or the employee. If the contract is between the employer and the supplier, this will constitute a benefit in kind which should be reported on form T9. If the contract is with the employee, the employer is meeting the employee's personal expenses. This should be treated as remuneration, through payroll, for tax and NIC purposes and reported on form T14.

Expenses connected with the provision of living accommodation would include the cost of:

- heating
- lighting
- garden maintenance
- domestic or other services

6.3 Employee contributions towards the cost of accommodation

If an employee is required to pay a contribution towards the cost of the accommodation, this should be entered on form T9 in the 'Paid by Employee' column. This will then be deducted from the full benefit in kind value to establish a taxable amount.

Employers should clearly record the monies received within the gross profits of their business accounts.

6.4 Job related accommodation

There is no exemption for job related accommodation, unless an employee uses the accommodation **solely** for performing the duties of employment.

This means that an employee is not charged a benefit in kind in respect of accommodation, heating, lighting etc. provided during their normal working hours.

The following occupations often provide job related accommodation, but the accommodation is not used **solely** for the performance of duties and, as such, a benefit in kind charge should be calculated and reported in the normal manner:

- publicans
- stud managers
- live-in carers
- wardens of care homes
- housekeepers

6.5 Agricultural workers

If an agricultural worker, who is paid under the Agricultural Wages Act 1952, is provided with accommodation by their employer, then the cash equivalent of the dwelling is determined by reference to values agreed by the Agricultural Wages Board.

Agricultural Wages Regulations and the cash equivalents for the supply of a dwelling can be found in the Agricultural Wages Board Regulations 2010. A copy can be found [here](#).

6.6 Directors and their dependants

If a director and/or their dependants are provided with accommodation in property owned by a company, a benefit in kind charge will arise.

However, in certain circumstances the Division may accept that no benefit arises in a year. For example if it can be demonstrated that the company has not incurred any costs relating to the property and the company is purely holding the property for asset protection purposes.

If someone feels that a benefit in kind charge should not be due for any reason they should advise the Division as necessary.

7 Meals

When an employer provides meals to an employee a benefit in kind charge may arise.

For guidance regarding dispensations that may be available in respect of genuine subsistence costs for meals whilst on business travel, see section 2.

7.1 Staff canteen

Free or subsidised meals provided in a staff canteen are not charged as a benefit in kind, as long as:

- all employees have access to the canteen
- the meals provided are on a reasonable scale

The provision of fine wines, luxury foods etc. is "unreasonable" for these purposes and should be charged as a benefit in kind, based on the cost to the employer of providing the benefit.

This exemption does not apply to hotel and restaurant employees who eat in the public dining room at times when meals are being served to the public - see section 7.3.

7.2 Light refreshments / incidentals

Reasonable light refreshments such as tea, coffee or water are not subject to a benefit in kind charge as long as they are made available to all staff.

7.3 Chargeable meals

Where chargeable basic meals are provided to employees, the value of the benefit is based on the cost to the employer. The cost to the employer would include the cost of the 'raw' material, plus the incidental costs of cooking the food.

If it is too burdensome to calculate the exact cost of each meal, an employer can use the following rates as being a reasonable valuation for meals made available:

Breakfast	Lunch	Evening meal
£1.50	£3.00	£4.00

This table is intended to be used by establishments that provide meals to clients and customers, such as hotels and restaurants, where staff are provided with meals in an area where meals are being served to the public.

Where meals are taken by staff during their working day in an area that is designated for staff only, the exemption relating to meals provided in a staff canteen will apply, as long as the provision of free or subsidised meals is open to all staff.

7.4 Luxury foods

More luxurious food items, such as lobster, steak, caviar etc. should be charged at the cost to the employer to provide these items.

The cost to the employer would include the cost of the 'raw' material, plus the incidental costs of cooking the food.

7.5 Employer accounts with food retailers

Some employers have accounts with food retailers such as sandwich bars and takeaways. Employees are free to choose from the food retailer's menu, whilst their employer pays the cost of the food.

The benefit in kind value is based on the value of the food items provided.

7.6 Employee contributions

If an employee covers the full cost of the food provided by their employer, then no benefit in kind will arise.

If the employee contributes towards the cost of the food, then the employer should record the contribution made by the employee when completing a form T9.

The employee in these cases is charged a benefit in kind based on the total value of the meals provided, less the contribution made towards the food.

The employer should record all monies received as a trading receipt in their accounts.

8 Other General Benefits

8.1 Car parking fees

Making any payment to an employee in respect of charges incurred for the use of a car park at or near to their place of work is exempt from benefit in kind charges.

The principal use of the car park by the employee should be as a consequence of attending his/her place of work.

8.2 Car parking - free or subsidised space provided

The provision of a free or subsidised car parking space at or near to the employee's place of work is exempt from benefit in kind charges.

The principal use of the car park by the employee should be as a consequence of attending his/her place of work.

Spaces provided to partners or dependants, who are not employees of the business, are subject to a benefit in kind charge, based on the value of the benefit provided, less any contribution made by the employee.

8.3 Childcare

Nursery or crèche facilities paid for by an employer for an employee's child, where the facilities are necessary to enable an employee to perform the duties of employment, will qualify as an exempt benefit providing payments are made in accordance with certain rules.

To qualify for the exemption the child care fees must meet the following conditions:

- payment must be made to a registered nursery, crèche or childminder
- the childcare cost must relate to a child, stepchild or ward of the employee

In addition, a work-place crèche provided by the employer will be exempt from a benefit in kind charge.

8.4 Christmas parties

There is a general benefit in kind exemption in respect of the provision of a Christmas party, wholly or partly at the expense of the employer, up to a maximum contribution of £100 per employee. Please note that this is an exemption and not an allowance. If the cost to the employer exceeds £100 per employee, the full amount will be subject to a benefit in kind charge.

Where Christmas parties are not held, the Division will allow the exemption to cover one annual event per year.

8.5 Company credit cards and company accounts with suppliers

If an employee uses a company credit card or company account with a supplier to obtain goods or services for their personal use a benefit in kind charge will arise, unless the value paid for on their behalf is repaid in full to the employer.

8.6 Company mobile telephone

The provision of mobile telephones, including rental charges and private calls, paid directly by an employer is not a chargeable benefit in kind provided the phone contract is in the name of the employer.

If the employer pays the bills for a mobile phone where the contract is in the name of the employee, the employer is meeting the employee's pecuniary liability. This should be treated as remuneration, through payroll, for tax and NIC purposes and reported on form T14 - see section 8.20.

Where the employer reimburses only the cost of business calls, this is a genuine business expense and the tax treatment will depend on whether the employer has obtained a dispensation from the Division – see section 2 for further guidance.

8.7 Company prize draws

Where a company runs a prize draw and provides a gift or voucher to an employee, then a benefit in kind charge will arise. This would not apply where an employer has donated prizes for a charity raffle for which employees purchase tickets to enter.

8.8 COVID-19 testing

If an employer meets the cost of either COVID-19 virus tests or antibody tests for its employees outside the Isle of Man Government national testing scheme, this will not constitute a chargeable benefit in kind. Please refer to Income Tax (Benefits in Kind) (Exemptions) Order 2020 ([SD 2020/0429](#)) for further information.

8.9 Cycle to work

A benefit in kind exemption may be available where an employer provides an employee with a bicycle.

In order to qualify for the exemption:

- the bicycle may be a conventional bicycle or an electrically assisted pedal bicycle
- the bicycle and any safety equipment must be purchased by the employer from a retail business in the Isle of Man
- the main use of the bicycle and safety equipment by the employee must be for travelling between their home and their place of work

Cycle safety equipment includes helmets, lights, mirrors and high visibility clothing.

In the case of pedal cycles, the first £1,200 (£1,000 19/20) of the cost of the pedal cycle and related safety equipment purchased by the employer in a period of three consecutive tax years will be exempt from a benefit in kind charge. If the cost of the pedal bicycle and related safety equipment exceeds the £1,200 limit over the three year period, the excess cost must either be met in full by the employee or subject to a benefit in kind charge in the year that the limit is exceeded.

In the case of **electrically assisted pedal bicycles only**, this exemption can be used in conjunction with the £600 exemption relating to 'the provision of any other benefits', as detailed in 3.3. To the extent that this exemption has not been used elsewhere, it may be used in addition to the maximum £1,200 cycle to work exemption (as applied over three consecutive tax years). For an individual who has not received any other general benefits in the tax year in which the electric bicycle is purchased, the maximum value of a benefit relating to the provision of an electric bicycle that may be exempt from a benefit in kind charge is therefore £1,800 (£1,600 19/20). If the purchase costs exceed this amount, any excess cost must either be met in full by the employee or subject to a benefit in kind charge.

For further information regarding the exemption as it applies from 6 April 2018 onwards, including illustrative examples, please refer to [Practice Note PN 200/18](#).

8.9.1 Cycle to work 'schemes'

The exemption can simply apply to any outright gift of a bicycle to an employee, but it will also apply where the bicycle is provided to the employee under an employer's cycle to work scheme.

Employer schemes may involve a salary sacrifice arrangement, whereby the employer and the employee agree to a variation of the contract of employment, with the employee accepting a lower salary in return for the provision of a bicycle and related safety equipment by their employer.

Any employer wishing to operate a scheme in conjunction with a salary sacrifice arrangement should contact the Division for clearance.

8.10 Discounts on merchandise

If goods are sold to an employee at a discount, there is usually no taxable benefit to consider, as the merchandise is normally not sold for less than the cost of the stock to the employer.

However, if the goods are sold for less than the cost of the stock, then the taxable benefit is the cost of the stock to the employer in providing the benefit, less any contribution by the employee.

8.11 Employee death or retirement

Where an employer makes any provisions for a pension, annuity, lump sum, gratuity or other benefit to be given to an employee or their dependents on the retirement or death of the employee, no chargeable benefit in kind will arise.

8.12 Gym membership/ golf club/ health club

The tax and NIC treatment will depend on whether the membership is taken out by the employer or the employee. Where the contract is between the employer and the gym or club, a benefit in kind charge will arise on the value of the membership fee paid by the employer, but there will be no liability to Class 1 NICs. Where the contract is in the employee's name, the employer is meeting an employee's personal expense. This should be treated as remuneration, through payroll, for tax and NIC purposes and reported on form T14 - (see section 8.20).

8.13 Home computer or laptop

Where an employer meets the cost – wholly or partly – of supplying a personal computer or laptop for use at the employee's home, the first £1,000 is exempt from charge. The £1,000 can also cover the cost of devices designed to be connected to or inserted in that computer.

Provided the cost of private calls is reimbursed by the employee, the provision of a regular landline and broadband internet access in respect of the home computer is also exempt from charge. Any such costs may be in addition to the £1,000 exemption in respect of the computer and computer equipment.

8.14 Home landline telephone

If an employer pays an employee's home landline telephone bill, the employer is meeting the employee's personal expense. This should be treated as remuneration, through payroll, for tax and NIC purposes and reported on form T14 - See section 8.20.

Where the cost of business calls is reimbursed by the employer, this is a genuine business expense and the tax treatment will depend on whether the employer has obtained a dispensation from the Division - see section 2 for further guidance.

Where the contract is in the name of the employer, a benefit in kind will arise in respect of any personal calls not reimbursed to the employer by the employee. The cost of the personal calls should be reported on form T9, but there will be no liability to Class 1 NICs.

Where the provision of a telephone line relates to the provision of a personal computer or laptop for use at the employee's home, this may be exempt – see section 8.13.

8.15 Loans

Where an interest-free or low interest loan is provided to an employee, there is no benefit in kind charge in relation to the reduced interest rate or the capital advance.

Where an employer waives or forgives an employee's debt, a benefit in kind charge will arise.

This could arise where:

- a director's loan account is written off
- an employee loan is written off

In these cases the benefit in kind will be the amount of the outstanding loan written off.

The benefit in kind should be reported on form T9 for income tax purposes. For NIC purposes, the amount of the outstanding loan written off should be treated as remuneration and will be liable for Class 1 NICs at the time of write off. The amount should be added to any other payments made in the relevant earnings period and NICs calculated on the total in the normal way – see section 4 of [GN46: Employer's Guide](#) for further guidance on calculating NICs.

In the case of a director and certain employees, where the loan was subject to a loan to participators charge when the company advanced it, the position when the loan is written off or forgiven is slightly different. In these cases the amount of the loan written off should be grossed up and a non-refundable tax credit can be claimed in respect of the tax already paid by the company.

In these cases, please contact the Division to discuss the treatment.

8.16 Long service awards

Cash given to an employee in respect of long service should be paid through the payroll and subject to ITIP and National Insurance.

If an employee is provided with a non-cash gift by their employer, a benefit in kind charge will arise equal to the value of the gift, and should be reported on form T9 for income tax purposes. For NIC purposes only, where the non-cash gift is a readily convertible asset (see section 8.24), the amount should be added to any other payments made in the relevant earnings period and NICs calculated on the total in the normal way – see section 4 of [GN46: Employer's Guide](#) for further guidance on calculating NICs.

8.17 Medical insurance

If an employer takes out a plan which pays for the health screening, diagnosis and treatment of an employee who falls ill or needs dental work, the cost will qualify as an exempt benefit and there is no benefit in kind charge.

If the plan provides not only for the employee but also for their spouse/dependants, the contribution the employer makes to cover the spouse/dependants is chargeable as a benefit in kind and must be reported on form T9 for the employee.

If an employer's scheme simply pays a cash sum if an employee (or family member) undertakes a stay in hospital, then the cost would not qualify for a benefit in kind exemption and must be reported on form T9 for the employee.

If the employee takes out their own personal health cover and the employer pays their plan premiums on their behalf, the amount paid should be treated as remuneration and reported through payroll for ITIP and NIC purposes, as the employer is meeting a pecuniary liability or personal expense of the employee.

8.18 Periodicals and journals

No chargeable benefit arises where an employer meets the cost of providing newspapers and periodicals to employees for business purposes.

Where the publication has little or no connection to the employee's profession, a chargeable benefit will arise.

8.19 Personal accountancy expenses

If an employer meets the charge for an employee's personal accountancy expenses, then a benefit in kind charge will arise. For example, if an employer arranges for an employee's personal income tax return to be completed by a tax professional at the expense of the employer, this would generate a benefit in kind charge and should be reported on form T9. There will be no liability to Class 1 NICs.

If the contract is with the employee, and the employer pays the expense on their behalf, the amount paid should be treated as remuneration and reported through payroll for ITIP and NIC purposes, as the employer is meeting a pecuniary liability or personal expense of the employee. See section 8.20

8.20 Personal expenses and pecuniary liabilities

An employer meets a 'pecuniary liability' when he or she pays a bill for goods or services which in law is the liability of the employee. The employer's payment is of direct monetary value to the employee because he or she no longer has to pay that amount of money to the third party.

Where an employer meets a 'pecuniary liability' or any personal expense of an employee then the cost met by the employer should be treated as remuneration, through payroll, for tax and NIC purposes and reported on form T14.

Examples where this would apply include an employer settling an employee's home utility bills, meeting an employee's tax liability, meeting the cost of a gym membership taken in the employee's name, or discharging an employee's debt.

The amount subject to tax and NICs will be equal to the value of the liability covered by the employer. The amount should be added to any other payments made in the relevant earnings period and tax and NICs calculated on the total in the normal way.

8.21 Personal use of a company asset (other than cars or accommodation)

Personal use of an employer's asset is regarded as a benefit in kind. Examples of assets are aircraft, plant and machinery, yachts etc.

The annual benefit in kind charge for private use of an employer's asset is calculated as 20% of the market value of the asset when it was first provided for the employee's personal use.

The charge is an annual value based on the fact that the asset is available during the year for private use.

The charge cannot be calculated on a pro-rata basis based on the number of days actually used.

On the form T9, employers should also separately include any private running costs associated with the use of the asset that are also met by the employer.

Where the employer charges the employee the full market rate for the use of the asset no benefit in kind will arise.

If the asset is a car or living accommodation, the benefit in kind value is calculated by an alternative method (see sections 4 and 6, respectively).

8.22 Professional subscriptions

No chargeable benefit arises where an employer meets the cost of an employee's professional subscription, provided that it can be demonstrated that the professional subscription is necessary or helpful to the employee in the performance of their duties.

8.23 Public transport travel tickets

Public transport season tickets or multi-journey tickets provided by an employer to an employee are exempt from benefit in kind charges. The tickets must be paid for directly by the employer to qualify for this exemption.

8.24 Readily convertible assets

A readily convertible asset is one which:

- is capable of being sold to a recognised investment exchange or the London Bullion Market, for example stocks, shares and other financial instruments, gold bullion and other precious metals
- is capable of being sold or otherwise realised on the New York Stock Exchange
- is a right over a money debt, for example trade debts assigned by an employer to an employee
- is subject to a fiscal warehousing regime, such as a bonded warehouse, for example oriental carpets stored in 'bond'
- gives rise to a right to enable an employee to obtain money, for example an interest in a trust which comes to an end shortly after being assigned to an employee, resulting in automatic right to cash
- is subject to trading arrangements, either at the time of provision or likely to come into existence in future under an arrangement or understanding in place when the asset is provided, for example, jewellery which can be sold either under an arrangement existing at the time of provision or under future arrangements for which steps have been taken at the time the jewellery is provided
- is already owned by the employee and whose value is enhanced by the employer, for example an employer may pay additional premium to an employee's life assurance policy, considerably increasing the value of the policy

Payments in the form of readily convertible assets must be included in gross pay for NIC purposes, but not for ITIP purposes. For tax purposes, any non-cash payment will constitute a benefit in kind and should be reported on form T9. The amount subject to income tax and NICs is the best estimate that can reasonably be made of the amount of income on which the employee is likely to be chargeable to tax in respect of the provision of the asset.

Employers may need to consider the following in estimating the amount of income:

- the cost of the asset to the employer
- the market value of the asset when it was awarded
- if the employee has already sold the asset, the amount received for it
- if the employee has contributed towards the cost of the asset, the amount of that contribution.

For NIC purposes, the 'best estimate' amount should be included in gross pay at the time the payment is made or treated as made. The amount should be added to any other payments made in the relevant earnings period and NICs calculated on the total in the normal way – see section 4 of [GN46: Employer's Guide](#) for further guidance on calculating NICs.

8.25 Relocation expenses

Subject to certain limits and conditions, the Income Tax (Benefits in Kind) (Exemptions) Order 2016 exempts 'reasonable relocation expenses' met by an employer as a direct result of a person moving to the Isle of Man to take up employment with that employer.

'Reasonable relocation expenses' include:

- the direct costs of selling the home that the person moved from
- the legal costs of acquiring a new home in the Isle of Man
- removal expenses
- indirect costs relating to the move, such as replacing carpets and curtains in the new home

The exemption applies to reasonable relocation expenses of up to a maximum of £20,000.

In addition to the £20,000 limit for reasonable relocation expenses, the exemption extends to costs met by the employer for travel between the person's previous home and the Isle of Man incurred in the first 6 months of employment.

Also in addition to the £20,000 limit, the exemption will apply to costs met by the employer for the provision of temporary accommodation for the person during the first 3 months of employment. Full details can be found in [Practice Note PN 193/16](#).

8.26 School fees

Where the cost of school fees is met by the employer, this may be a benefit in kind or simply additional remuneration, depending on whether the contract with the school is in the name of the employer or the employee. If the contract is between the employer and the school, this will constitute a benefit in kind which should be reported on form T9. If the contract is with the employee, the employer is meeting the employee's personal expenses. This should be treated as remuneration, through payroll, for tax and NIC purposes and reported on form T14 - See section 8.20

8.27 Share awards and share schemes

If an employer awards shares or options to an employee, or offers an employee an opportunity to buy shares or options at less than market value, a benefit in kind will arise. The award or purchase may be made under an employer share scheme, or may simply be an outright award or purchase of shares at undervalue.

For tax purposes, the value of the award (as agreed with the Division – see below) should be declared on form T9. For NIC purposes, the treatment will depend on whether or not the shares (or in the case of options, the underlying shares) constitute a readily convertible asset (see section 8.24 for further guidance regarding the treatment of readily convertible assets).

If an employer operates a share option scheme or similar (sometimes referred to as 'Sharesave' schemes, 'SAYE', or 'Save As You Earn' schemes) it is possible request an exemption from income tax and NICs on certain benefits arising from these schemes, subject to certain limits and conditions. In addition, an employer can apply to the Assessor of Income Tax for approval of schemes broadly similar to 'SIPs' or 'Share Incentive Plans' operated by many UK employers, which receive beneficial tax treatment in the UK. Again, these schemes must conform to certain requirements and must be approved by the Assessor.

The tax treatment of share awards and share schemes is a complex technical matter and any employer considering making any award of shares or options should contact the Division to seek clarification on the correct treatment and valuation of any awards to be made.

In all cases, whether seeking approval of a SAYE or SIP scheme or agreeing the treatment of any other share-based awards, the following information should be provided to the Division for review, where applicable:

- in the case of outright share awards and options, a copy of any documentation relating to the share award
- in the case of share or option schemes of any kind, a copy of the rules of the scheme and a copy of any trust deed under which the scheme has been established
- a copy of the form of contract under which any options will be granted
- a copy of any documents which will be issued to participants in connection with the scheme or award
- documentation supporting the valuation of any awards to be made

When seeking agreement of the tax and NIC treatment of any new share scheme or other share-based award, the employer should provide their analysis of the tax treatment and valuation of any such awards. In the case of SAYE or SIP schemes that have been approved in another tax jurisdiction, the employer is required to provide proof that the scheme has been approved by or registered with the tax authorities in that jurisdiction.

8.28 Sporting and recreational facilities provided at an employer's business premises

The provision of facilities located at an employer's place of business is exempt from benefit in kind charges, provided the facilities are open to all employees and not generally open to the public.

8.29 Staff entertaining

Entertainment provided to employees, which has little or no business purpose, is subject to the normal rules regarding general benefits in kind.

Examples where a charge would arise are:

- drinks supplied to staff in the boardroom
- tickets provided to staff for theatre, concerts, football matches etc.
- the provision of a summer ball

There is a general benefit in kind exemption for Christmas party expenses of up to £100 per head, which may be extended to another event if no Christmas party is held (see section 8.4).

8.30 Transfer of an asset to an employee

When an asset that is owned by a company is given to an employee, a benefit in kind charge will arise, unless the employee pays the employer the market value for that asset.

Providing the asset has been used and depreciated by the company prior to the transfer, the benefit in kind charge is the lower of:

- the cost to the employer of providing the benefit
- the open market value of the asset at the time it is transferred to the employee

If the asset has not been used or depreciated by the company before it is transferred to the employee, the benefit in kind charge is the higher of:

- the open market value at the time of transfer
- the cost to the employer of providing the benefit

If an employee has been charged a benefit in kind for the use of a company asset and that same asset is transferred to them at a later date, the benefit in kind charge will be calculated by taking the value of the asset when first made available and deducting the aggregated benefit in kind charges for use of the asset prior to transfer. Please note that this treatment does not apply to the transfer of a company car to an employee – see 4.17.

8.31 Travel

Where travel is provided to an employee, or a dependant of the employee, which is not business in nature, a benefit in kind charge will arise.

Travel costs can be incurred for business purposes only, but can sometimes also include a private element.

To assist in determining correctly whether a benefit in kind charge arises, some examples are shown in the table below:

Nature of travel	Treatment
Employee on a business trip, where all costs met by employer	Genuine business expenses will not give rise to a benefit in kind charge
Employee on a business trip, where costs are met by employee and reimbursed by employer	Provided the employer has a dispensation, no benefit in kind will arise
Employee on a business trip but accompanied by spouse, partner, family or friends	There will be no benefit in kind charge in respect of genuine business travel expenses incurred by the employee, but any additional charges incurred in respect of flights, accommodation etc. relating to any non-employee accompanying the employee would be subject to a benefit in kind charge (unless reimbursed in full by the employee)

Employee on a business trip, with an incidental private element e.g. visit to see family, or additional time spent sightseeing after business concluded	Additional costs relating to any personal element of a trip should either be subject to a benefit in kind charge or reimbursed to the employer in full
Nature of travel	Treatment
Airline or travel industry employees provided with discounted flights or accommodation for personal travel	The benefit in kind charge should be based on the cost to the employer, less any employee contribution
Employee provided with travel allowance	Round sum allowances should be paid through the payroll and subject to ITIP and National Insurance
Employer allows employee to use business travel account to book private travel	Unless private travel is reimbursed in full to the employer, the value of the private travel provided will be subject to a benefit in kind charge

8.32 Tuition/training

Where the cost of courses, tuition or training is paid by an employer on behalf of an employee, there will be no charge provided the training is relevant to the individual's role.

Where an employee undertakes personal interest courses that have no business function, a charge will arise based on the cost to the employer in providing the course, tuition or training.

8.33 Uniforms and special clothing

Where an employee is provided with a uniform which identifies a wearer as having a particular occupation or reinforces a corporate image, no benefit in kind charge will arise. Please note that shoes, socks and underwear will not be considered forming part of a uniform for these purposes.

The provision of specialist protective clothing and footwear will also not be subject to a benefit in kind charge.

Where an employer provides non-specialist clothing, or clothing not considered to be corporate wear, a benefit in kind charge will arise. For example, employees of a high street fashion store may be required to wear clothing from the store's range when they are at work, which the employer provides for free, or at a discount. The value of the benefit will be based on the cost to the employer.

8.34 Vouchers

All vouchers regardless of if they are exchangeable for cash or only exchangeable for goods and services will be subject to a benefit in kind charge and should be reported on form T9.

For NIC purposes, where the voucher is exchangeable for cash or is a readily convertible asset (see section 8.24), the amount should be added to any other payments made in the relevant earnings period and NICs calculated on the total in the normal way – see section 4 of [GN46: Employer's Guide](#) for further guidance on calculating NICs.

The value of the benefit will be the cost to the employer of providing the benefit. As such, where an employer is able to obtain a discount on the purchase of vouchers, it is the discounted amount that will be subject to the benefit in kind charge, rather than the 'face value' of the vouchers.

9 Employer Meeting the Benefit in Kind Charge for an Employee

An employer can, by agreement, meet the tax charge arising from benefits they provide to their staff. The value of the benefit in kind is charged at the higher rate of tax – currently 20%.

Any employer wishing to settle the tax on a benefit in kind should contact the Division. Please note that normal reporting and payment deadlines apply.

10 Employer Obligations

An employer who provides benefits to employees has certain obligations with regard to recording and retaining the relevant information and, where appropriate, reporting the details to the Division.

Full details can be found in [GN46 – Employer’s Guide](#).

11 Contact Details

Address	Income Tax Division The Treasury 2 nd Floor, Government Offices Buck’s Road Douglas IM1 3TX
Telephone	01624 685400
E-mail	ITD.Employers@gov.im
Website	www.gov.im/incometax

If you have any questions which are not covered in this guide please contact the Division.