
PRACTICE NOTE

PN 122/06

Date: 8 February 2006

BENEFITS IN KIND – WITHDRAWAL OF CONCESSION

Background

Where an employee receives a taxable benefit in kind, it is usually included in their personal income tax assessment. Employees receive a T9 certificate giving details of the value of the benefit from their employer and should declare the value on their personal income tax return.

By concession, tax liabilities resulting from benefits in kind have sometimes been met by the employer. This has been done by calculating the amount of income tax due, at the higher rate, on the value of benefits in kind received by the employee, and including an equivalent amount in the employing company's income tax assessment.

In these circumstances, as the employee's tax liability has been met in full by the company, there is no need for a T9 certificate to be given to the employee and consequently the employee neither declares nor is taxed on the benefit.

Withdrawal of the concession

This Practice Note confirms that with the introduction of the general 0% rate of income tax for companies on 6 April 2006, it will no longer be possible in most cases for an employee's tax liability to be met by an adjustment in the employing company's income tax assessment, and so the concessionary practice will be withdrawn on that date.

It may, however, still be possible for an employing company to settle directly tax liabilities due in respect of benefits in kind received by its employees. If an employing company wishes to do this, it should contact the Employers Section of the Income Tax Division to determine if this can be done.

Where an employee's tax liability relating to benefits in kind has previously been met by adjustment of the employing company's tax assessment, the employing company should notify the Division immediately of the anticipated benefits receivable by its employees so that appropriate adjustments can be made to the employees' tax codes for the 2006/2007 tax year.

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This Practice Note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person's right of appeal on points concerning their own liability to income tax. Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.