



PRACTICE NOTE

PN 13/88

Date: 1th February 1988

Benefits In Kind : Forms T9

The information on this practice note is relevant up to 5.4.89, however at a later date it was replaced by PN 28/90 Supplemental.

1. Introduction

It has been decided that to avoid undue research by employers, some concessions are necessary. This practice note also clarifies some points and suggests guideline figures for some benefits.

2. Compliance

T9 returns are required under Regulation 23 Income Tax (Modified ITIP) Regulations 1987 and will be subject to the same time limits for submission as the annual return, being within one month of the end of the tax year (Employers Guide 3J).

3. Taxable Benefit

Section 2 Income Tax Act 1980 (as amended) defines what is assessable income. Benefits assessable include:

1. transfer of ownership of assets by employer to employee at less than open market value (e.g. a property developer selling a house on his development to his foreman at less than the price to the general public);
2. goods-given to employee by employer;
3. payment by employer of amounts which are the employee's personal liability (e.g. rates and other overheads on employee's home, employee's personal income tax, NIC, etc.)

the benefit or value to the employee of provisions made by the employer:

1. accommodation
2. food or clothing
3. services e.g. free or subsidised use of assets, provision of domestic servants, chauffeur, etc.

(There is a more comprehensive list at Employers Guide Appendix 1)

4. Measure Of Benefit

The measure of these benefits is not defined in the Income Tax Acts.

An established concept within taxation, however, is the principle of moneysworth and for items in 3 above this would be.

1. the difference between the market value and amounts paid;
2. second hand value;
3. Amounts actually paid by the employer and not reimbursed by or restricted out of the pay of the employee.

It is recognised that employers might have difficulty in quantifying amounts, for the purpose of the T9 return. Any reasonable basis will be accepted, but the basis should be clearly stated or previously agreed with the Income Tax office. Guideline figures are already issued for accommodation including food etc. Attached appendices update these and give suggested amounts for meals provided free and use of employer's car for private (including home to work) usage.

5. Concessions

1. Christmas parties for staff need not be costed to quantify the benefit to each employee and by concession need not be returned on T9.
2. Bonuses or cash gifts to staff at Christmas should be included in taxable pay for the purpose of operating ITIP, so that they are included on form T14. Gifts in kind such as a turkey or bottles of wine, spirits etc. at Christmas up to an aggregate cost to the employer of £50 per year may by concession be excluded from T9.
3. Provision to an employee of meal vouchers up to a value of 15p per day may by concession be excluded from T9.
4. Strictly any travel between home and work at the employer's expense is a benefit, but where the employee takes an employer's vehicle home ONLY whilst he is on call, by concession this need not be returned on T9.
5. Food provided to employees whilst entertaining customers need not be quantified and can be excluded from T9.

6. Other Points

1. The figures for beneficial occupation, provision of meals and car benefits are guidelines only. If the employer includes different figures on T9 or if the employee disputes the amounts returned by his employer, it may well be necessary to obtain further information from the employer as well as the Employee.
2. Purchase of goods (sold by the employer in the ordinary course of his trade) by employees at less than full price to customers but equal to or above the cost to the employer are not likely to be benefits within the terms of the legislation, because the second hand value is likely to be less than the cost to the employer.
3. Adjustments in accounts : there is no intention of raising a double charge, i.e. on the employer by disallowance of expenditure and on the employee as a benefit, although under the legislation strictly this is possible. A T9 will therefore not be required for those employees in respect of whom a disallowance for ALL benefits

has been made. If a T9 is required for items other than those dealt with by disallowance in the employer's income tax computation, the T9 can be noted in the relevant section e.g. "disallowed for employer." T9s may of course be required for employees other than those for whom disallowance's have been made.

4. Where an employer is unaware of benefits or payments, because they are provided or made by third parties, he cannot include them on form T9, but the employee should declare them on his personal return. Benefits provided by third parties by arrangement with the employer must be included on T9. Payments made by third parties either by arrangement with the employer (e.g. under a reciprocal agreement) or over which the employer has some control (e.g. tips and service charges paid for by customers on credit cards and then paid over by employer to employees) should be included as pay on form T14 and ITIP operated.
5. Cars provided by employer to employee for regular travel between home and work, whether including weekend and holiday use or not, should be included at item 3g on T9, stating make, model, cubic capacity, date of purchase when new and cost when new (and if the car is changed during the year, date(s) of change and details for each car) and whether employer bears cost of petrol used for home to work and other private journeys.
6. If an employee is required by his employer to have a telephone at home and the line is in the employee's own name, any payments made by the employer to Manx Telecom constitute a benefit because the contract would be between the employee and Manx Telecom and therefore the employee's pecuniary liability. Reimbursement for business calls and a commensurate proportion of rental would not be a benefit. In practice, if the employer funds (whether directly or by reimbursement) only telephone rental and the cost of-business calls, this need not be entered on T9.

7 Further Queries

If you wish to agree different figures from the guidelines in the Appendices or if you have any further problems in completing T9 returns, please contact the income Tax Office, telephone (0624) 26262 extensions 2356 or 2360 (ask for Head of Collection Section or ITIP Inspector).

P.N. 13/88 APPENDIX 1

Free meals to staff in canteens (full Year)

	1988/89	1987/88
breakfast only	134	127
lunch only	268	254
evening meal only	268	254
breakfast and lunch	402	381
lunch and evening meal	536	508
evening meal and breakfast	402	381
breakfast, lunch and evening meal	670	635

Reduce the figures proportionately if period of employment was for only part of the tax year. If the employee makes a contribution towards the cost of meals or if the employee's pay (shown as gross on form T14) is restricted in respect of meals, by concession no entry need be made on form T9.

PN 13/88 APPENDIX 2 Use of employer's car for home to work and other private travel.

A CARS WITH ORIGINAL MARKET VALUE UP TO £19,250 AND HAVING A CYLINDER CAPACITY

A CARS WITH ORIGINAL MARKET VALUE UP TO £19,250 AND HAVING A CYLINDER CAPACITY	Age of Car at End of Relevant Year of Assessment			
	Under 4 Years		4 Years or more	
	1988/89	1987/88	1988/89	1987/88
1400 cc or less	580	525	380	350
1401 cc - 2000 cc	770	700	520	470
More than 2000 cc	1210	1100	800	725

B CARS WITH ORIGINAL MARKET VALUE UP TO £19,250 AND NOT HAVING A CYLINDER CAPACITY

Original Market Value of Car	Age of Car at End of Relevant Year of Assessment			
	Under 4 Years		4 Years or more	
	1988/89	1987/88	1988/89	1987/88
1400 cc or less	580	525	380	350
1401 cc - 2000 cc	770	700	520	470
More than 2000 cc	1210	1100	800	725

C CARS WITH ORIGINAL MARKET VALUE UP TO £19,250

Original Market Value of Car	Age of Car at End of Relevant Year of Assessment			
	Under 4 Years		4 Years or more	
	1988/89	1987/88	1988/89	1987/88
£19250 or more but not more than £29000	1595	1450	1070	970
More than £29000	2530	2300	1685	1530

If, in addition to providing the car, the employer also bears the cost of fuel used on home to work, weekend and holiday travel, the following amounts should be added to amounts in A, B and C above:

Cars with a recognised cylinder capacity	Cars not having a recognised cylinder capacity	Cash equivalent	
		1988/89	1987/88
Cylinder capacity	Original market value of car		
Up to 1400 cc	Less than £6000	240	240
1401 cc - 2000 cc	£6000 or more but less than £8500	300	300
More than 2000 cc	£8500 or more	450	450

If the employee does 18000 business miles or more in the tax year, the above amounts should be halved. If the car is a second car provided by the employer or is driven for 2500 business miles or less in a tax year, the amounts in tables A, B and C should be increased by 50%. If the employee makes a contribution towards the cost of using the car privately, or if the employee's pay (shown as gross on form T14) is restricted in respect of private use of car, the amount should be entered on T9 in the box provided.

PN 13/88 APPENDIX 3

BENEFICIAL OCCUPATION

	1988/89	1987/88
1. Rent	820	780
Rates	280	265
Heat and Light	725	690
Miscellaneous	220	210
Food (per adult)	670	635
Addition per child	335	320
Seasonal adjustment	40%	40%
2. One room only	1670	1590

These figures are for guidance only. If it is considered that a different amount is appropriate, this should be clearly shown, together with an explanation as to how the amount has been calculated.

The figures at (I) apply to employees such as hotel managers, public house managers, etc. living on the premises. Where the employee makes a contribution or has his pay restricted, the amount should be entered on T9 in the box provided.