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



# **1. Introduction**

## **1.1 What is a benefit in kind?**

A benefit in kind is 'consideration' that may be offered by an employer to a director or an employee in lieu of cash.

## **1.2 What types of benefit in kind are liable to income tax?**

Common benefits in kind include a company car, the provision of living accommodation, payment of an employee's personal liabilities, personal use of an asset made available by the employer and transfer of an asset to an employee at less than the market value.

A more comprehensive list of benefits is shown in Appendix 3.

## **1.3 Are there any benefits in kind that are not taxable?**

Certain benefits in kind are specifically exempted from an income tax charge.

A list of these exempt benefits is shown in Appendix 4.

There is also a general exemption from reporting chargeable benefits in kind if the aggregated value of the benefits for the year is less than £400.

## **1.4 Who are subject to benefit in kind rules?**

All employees and directors of a company are subject to benefit in kind rules. A charge also arises where the benefit in kind is made available to the family or household members of an employee or director.

## **1.5 Who is treated as a family or household member?**

Family or household covers the employee's spouse, children and their spouses, parents, dependants and guests.

## **1.6 How is the benefit value calculated?**

The value of a benefit in kind depends on the type of benefit provided. The three main valuation methods are shown below but are covered in more detail within the specific topics covered later in this guide.

Company cars are valued by reference to annual scale rate tables.

An asset transferred to an employee is usually valued at the market value at the date of transfer.

The use of a company asset is valued by reference to an annual value.

## **1.7 What forms do I need to complete to report a benefit in kind?**

An employer is required to complete a form T9 for every person who has a taxable benefit in kind during a year (a copy of the form is shown in Appendix 1).

## **1.8 What do I do with form T9 after it has been completed?**

One copy of this form should be given to the employee/director concerned to submit with their personal income tax return.

A second copy should be submitted with the annual employer's return (T37) before 6 May following the end of a tax year.

# **2. Expenses payments**

## **2.1 What types of payments are regarded as expenses payments?**

The following types of payments are regarded as expenses payments:

- travel allowance
- standby payments
- fuel allowance
- meals allowance
- entertaining allowance
- clothes allowance
- lodging allowance
- tool money
- subsistence payments.

## **2.2 Are expenses payments taxable?**

All expenses payments are taxable and should be charged to ITIP unless a dispensation has already been agreed with Income Tax Division. (See section 3 for Dispensations.)

## **2.3 Is there a requirement to report expenses payments?**

Expenses payments should be charged to ITIP when paid and reported to Income Tax Division on form T9 at the tax year end. The T9 form should be sent to Income Tax Division with the annual employer's return.

## **2.4 Can an employee claim a tax deduction for business expenses?**

An individual employee is entitled to make a claim on their personal income tax return for the cost of any expense wholly and exclusively incurred in the course of their employment.

For example, if an employee is paid a round sum allowance for business travel, the expense payment will be taxable but the employee will be entitled to claim the actual cost of business travel as a deduction on their personal income tax return.

# **3. Dispensations**

## **3.1 What is a dispensation?**

A dispensation is a notice issued to an employer by Income Tax Division that relieves them from the requirement of deducting ITIP from expenses payments and from reporting these expenses payments on form T9.

## **3.2 What type of payments can be covered by a dispensation?**

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

- business travel and subsistence
- business entertaining
- mileage allowance when an employee uses their own vehicle for business (see 14.2).

### **3.3 What types of payment cannot be covered by a dispensation?**

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 may be paid a set £20 per month in case they use their own vehicle for business purposes.

### **3.4 Will a dispensation apply to all employees?**

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

An employee or director who authorises their own expenses will be excluded from a dispensation and will have to report all expenses payments on form T9.

### **3.5 How do I apply for a dispensation?**

You should write to the Tax Assurance Manager in the Income Tax Division setting out:

- the employees or group of employees to be covered by the dispensation
- the types of expenses payments or reimbursements to be included
- the amounts involved
- details of your system for controlling and authorising the payments.

Further information may be called for before a decision is given. It is important to note that a dispensation only continues to be effective as long as the circumstances remain unchanged or until it is withdrawn.

## **4. Meals**

### **4.1 Are meals provided to an employee a benefit in kind?**

When an employer provides meals to an employee a benefit in kind charge will arise. Please note meals provided in a staff canteen are not charged (see 4.2). The following rates are currently regarded as being a reasonable valuation for meals made available:

|              |       |
|--------------|-------|
| Breakfast    | £0.90 |
| Lunch        | £1.80 |
| Evening Meal | £1.80 |

#### 4.2 Are free or subsidised meals in a staff canteen a benefit in kind?

Free or subsidised meals provided in a staff canteen are not charged as a benefit in kind as long as the following conditions apply:

- the meals must be provided on a reasonable scale. The provision of fine wines, elaborate menus etc. is unreasonable and should be charged as a benefit in kind.
- The canteen must not be open to the general public.
- All employees should have access to the canteen.
- **It does not apply** to hotel and restaurant staff who eat in the public dining room at times when meals are being served to the public.

#### 4.3 Are light refreshments supplied to employees a benefit in kind?

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.

## 5. Telephones, mobile telephones, computers and broadband access

#### 5.1 Is there a benefit in kind charge when an employer pays for an employee's home landline telephone?

If an employer pays for an employee's home landline telephone bill, a benefit in kind will arise. The value of the benefit will be the value of the employee's private calls.

#### 5.2 Is there a benefit in kind if an employee has use of a company mobile telephone?

The provision of mobile telephones, including line rental 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 a benefit in kind will arise to the value of private calls that have been paid for.

**5.3 Is there a benefit in kind charge when an employer pays for an employee's home broadband connection?**

Any costs associated with the provision of a home broadband connection for an employee can be treated as being a benefit falling within the current £1,000 annual exemption for computers – see Appendix 4.

**5.4 Is there a benefit in kind charge when an employer supplies an employee with a personal computer for use at the employee's home?**

Personal computers are exempt to the extent that the aggregate cash equivalent of the benefit does not exceed £1,000 each year. Where the aggregate cash equivalent exceeds £1,000, only the excess over £1,000 shall be chargeable to income tax as a benefit in kind. Devices designed to be used by being connected to or inserted in the computer will also fall within the £1,000 exemption.

## **6. Use of a company asset by an employee**

**6.1 An employee has personal use of a company asset, is this a benefit in kind?**

Personal use of a company asset is regarded as a benefit in kind. The benefit in kind value is determined depending on the type of asset made available. Examples of company assets are boats, motorcycle, jet ski, etc.

Cars, accommodation and computers are dealt with under separate rules.

**6.2 How do I calculate the benefit in kind charge when an employee has personal use of a company asset?**

The annual benefit in kind charge for private use of a company asset is calculated as 20% of the asset market value when first made available to the employee.

**Example**

An employee has the use of a speedboat owned by his employer. The speedboat was worth £10,000 when first made available.

For each year that the employee has the use of the speedboat he will be charged a benefit in kind of  $10,000 \times 20\% = 2,000$ .

If the asset is a car or living accommodation the benefit in kind value is calculated by an alternative method (see sections 10 and 15 respectively). If the asset is computer equipment, it may be an exempt benefit (see section 1 and Appendix 4).

## 7. Transfer of a company asset (other than a car) to an employee

### 7.1 Is there a benefit in kind charge if an employee is given a company owned asset?

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.

### 7.2 How is the benefit in kind charge calculated?

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.

### 7.3 What if an employee has been charged a benefit in kind for use of a company asset and then the asset is transferred to that (or any other) employee?

If an employee has been charged a benefit in kind for the use of a company asset (other than a car) and that same asset is transferred to **any** employee 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 charged for use of the asset prior to transfer.

### Example

An employee has the use of a speedboat owned by his employer. The speedboat was worth £10,000 when first made available. After two years the employer transfers the ownership of the speedboat to the employee. At the time the ownership is transferred the speedboat is worth £7,000.

For each of the two years that the employee has the use of the speedboat he will be charged a benefit in kind of  $10,000 \times 20\% = 2,000$ .

After two years, when the asset is transferred the benefit in kind value will be the lower of the open market value or the following calculation:

|                                       |                 |                          |
|---------------------------------------|-----------------|--------------------------|
| Value when asset first made available | £10,000         |                          |
| Less benefit in kind charged for use  | <u>(£4,000)</u> | (10,000 x 20% x 2 years) |
|                                       | <u>£6,000</u>   |                          |

The benefit in kind charge in this instance would be £6,000 as this is less than the market value at the date of transfer.

## 8. Childcare

### 8.1 If an employer pays for the cost of an employee's childcare is this a benefit in kind?

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 (see 8.2 below).

### 8.2 How must childcare be paid to qualify for the exemption?

- Payment must be made to a registered nursery, crèche or childminder.
- The childcare cost must relate to a child or stepchild or ward of the employee.
- Payments must be made directly from the employer to the qualifying crèches or nurseries.
- A work place crèche will be exempt from a benefit in kind charge.

### **8.3 What types of childcare payments will not qualify as an exempt benefit?**

- Where the employer makes a payment directly to the employee to cover childcare cost this payment will be taxable and should be subjected to ITIP deductions.
- If the employer directly meets the cost of childcare as a result of a salary sacrifice arrangement, a benefit in kind charge will still apply. A change in an employee's employment contract will not constitute a salary sacrifice.

## **9. Medical insurance**

### **9.1 Is medical insurance, dental insurance and health screening for employees provided by an employer's scheme a taxable benefit?**

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

### **9.2 What if the medical insurance plan also includes medical cover for an employee's spouse and children?**

If the policy provides not only for the employee but also for their dependants, the contribution the employer makes to cover the dependants is chargeable as a benefit in kind.

### **9.3 If an employee takes out their own health cover plan and the employer then pays the premiums, is this a benefit in kind?**

A benefit in kind charge would be due as the employer is meeting a pecuniary liability of the employee. This does not qualify as an exempt benefit as the employee is not in a scheme offered by the employer.

## **10. Cars available for private use (company cars)**

### **10.1 Who does the charge apply to?**

If an employee or director is provided with a car by the employer and has 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.

## **10.2 What does the company car scale charge cover?**

The scale charge covers all expenses associated with the private use of a company car. Private motoring expenses paid directly on behalf of the employee or reimbursed to them will not give rise to a tax liability in addition to the scale charges.

There may be a separate additional charge if private fuel is also provided.

The scale charge does not cover parking fines incurred in the company car nor does it cover the cost of an employee's own driving licence.

## **10.3 How do I calculate the benefit in kind charge for a car?**

Car benefits are calculated in accordance with published Car and Fuel Benefit Tables (form R22(b)) that establish a cash equivalent for benefit in kind purposes.

The current tables are shown in Appendix 2.

Some example car and fuel benefit calculations are shown at the end of section 11.

## **10.4 What information do I need to calculate the scale charge and complete form T9 for a company car?**

To complete form T9 and to calculate the scale charge you will need the following details:

- make and model of the car
- date the car was first registered as new
- original market value of the car
- car cylinder capacity (cc)
- number of business miles
- period of use of car.

## **10.5 What value should I use for the car?**

The scale charge will be based on the original market value of the car when it was new. This value is the published manufacturer's inclusive price for a car of the same make and model being sold in the UK singly in an open market retail sale. The inclusive price includes delivery charge and VAT but does not include road tax.

The cost of any optional extras should be added to the inclusive price.

The value should **not** be based on the second hand purchase price of the car or the market value at the time the car was made available.

#### **10.6 What mileage records do I need to keep?**

The company car scale rates are increased or decreased depending on the level of business mileage incurred in the company car. Therefore, a record must be kept of the purpose of all business journeys made and the total number of business miles travelled.

#### **10.7 What is a business journey?**

A business journey is one which involves travel from one place of business to another. Journeys between an employee's home and work are not business journeys.

#### **10.8 What is a private journey?**

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

#### **10.9 Under what circumstances do I need to increase the charge?**

The scale charge may be increased for the following reasons:

- annual business mileage is less than 2,500
- if more than one car is made available concurrently to an employee or their family member.

#### **10.10 Under what circumstance is the scale charge reduced?**

The scale charge may be reduced for the following reasons:

- car not available for the full year
- the annual business miles exceed 18,000 miles
- the employee pays a contribution to the employer for the use of the car.

**10.11 What if an employee contributes towards the cost of buying the vehicle?**

Capital contributions made by an employee towards the cost of a company car will be treated as if the employee partly owns the car and the original market value when new should be apportioned as below to calculate the value of the car that is made available by the employer.

For a contribution to qualify as a capital contribution towards the cost of purchasing a company car it either has to be non-refundable when the car is sold or the value refunded must be reduced to reflect the depreciation in the overall car value. If a contribution does not qualify as a capital contribution it will be allowed as a contribution for use of the car and can be deducted from the normal scale charge for that year only.

$$\text{Original market value when new} \quad \times \quad \frac{\text{Purchase Price} - \text{Employee Contribution}}{\text{Purchase Price}}$$

**Example**

|                                     |   |   |
|-------------------------------------|---|---|
| Original market value when new      | = | £36,000   |
| Purchase price                      | = | £30,000   |
| Employee contribution               | = | £2,000  |
| Value for scale charges calculation | = | $36,000 \times \frac{(30,000 - 2,000)}{30,000}$ |
|                                     | = | <b><u>33,600</u></b>                            |

**10.12 What if my employer charges me for using the vehicle?**

If an employee is required, as a condition to the car being made available for private use, to pay a contribution towards the car, the car scale rate can be reduced by the amount paid by the employee. If the employee's payment exceeds the scale charge figure, then the taxable amount is NIL.

**10.13 What if an employee (or their family member) has the use of more than one car at the same time?**

If more than one car is made available concurrently to an employee or their family member, the scale charge for each car other than the main car is increased by one half. The main car is the one with the highest number of business miles.

#### 10.14 What if I use the company vehicle for home to work travel only?

Home to work travel is a private journey. Therefore, strictly a benefit in kind should be calculated using the scale rates for cars. However, if a company car is available for home to work travel only, a benefit in kind may be calculated at the following pence per mile rate if it is more beneficial than the full scale charge.

| Type of Vehicle   | First 6,000 Miles | Over 6,000 Miles |
|-------------------|-------------------|------------------|
| Motor Vehicle     |                   |                  |
| Engine Capacity : |                   |                  |
| Up to 1299cc      | 46.0              | 34.0             |
| 1300cc or over    | 52.0              | 40.0             |
| Motor Cycle       | 26.0              | 17.0             |

The restriction of home to work travel only must be specified and written in to an employee's contract.

#### 10.15 What if the vehicle is leased?

An employee is charged a benefit in kind when a car is made available by their employer. The normal scale charge will therefore apply regardless of whether the employer owns the car or has leased it.

#### 10.16 Is a pool car treated as a company car for tax purposes?

A genuine pool car will not be available for private use and therefore no benefit should arise. Please see section 12 for further details on pool cars.

#### 10.17 Are vans and lorries chargeable?

Commercial vehicles such as vans and lorries do not give rise to a benefit in kind charge provided that the **main** business purpose of the vehicle is for:

- 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.

### **10.18 What if the company car changes during the year?**

When an employee's company car is changed during a tax year the charge for the old and new car should be calculated in accordance with the normal full scale rates applicable for that car. The resulting annual scale charge for each car should then be time apportioned to reflect the period of use for each car.

### **10.19 What does "unavailable for use" mean?**

Where a car is unavailable for any part of the tax year (for example when it is purchased part way through the year), the car benefit is reduced proportionally.

A car is also regarded as unavailable if it was incapable of being used at all for at least 30 consecutive days, e.g. if it was undergoing repairs at a garage.

### **10.20 What if my company car does not have a cylinder capacity (cc)?**

If the company car does not have a cylinder capacity, Table B should be used to calculate the benefit in kind charge.

### **10.21 How do I calculate the charge for a vehicle other than a car?**

If a motorcycle or a van (which does not qualify for exemption) is used 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 scale tables if they consider that would be more favourable.

### **10.22 What if an employee is on 24 hour call?**

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.

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

## 11. Provision of car fuel for private motoring (company cars)

### 11.1 Who does the car fuel charge apply to?

There will be a scale charge for fuel when an employee has a company car and the employer also provides fuel for any mileage other than business mileage.

### 11.2 How do I calculate the fuel charge?

The fuel charge is calculated by reference to the annual Car and Fuel Benefit Tables (form R22(b)) which determine the cash equivalent appropriate for the cylinder capacity or original market value of the car.

### 11.3 What if an employee pays towards the cost of the fuel provided?

The scale 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 scale charge will apply for fuel. There will be no reduction to the scale charge should an employee make only a partial contribution towards the cost of private fuel.

#### Example 1

- An employee has been provided with a company car for both business and personal use for the whole of the tax year 6 April 2007 – 5 April 2008.
- No fuel has been provided.
- The car is a 1.6 litre petrol model and was newly registered on 6 April 2007 costing £16,500.
- Business mileage exceeded 2,500 miles during the year.

What is the benefit in kind charge due?

#### Answer

The car has an internal combustion engine and an original market value under £19,250 therefore Table A is applicable.

The car is 1598cc (between 1401 and 2000cc) and is under 4 years old and so the charge for the car is £1,980.

### Example 2

- An employee has been provided with a company car for both business and personal use for the whole of the tax year 6 April 2007 – 5 April 2008.
- All fuel, both business and private, has been provided by the employer.
- The car is a 1.6 litre petrol model and was newly registered on 6 April 2007 costing £16,500.
- Business mileage was less than 2,500 miles during the year.

What is the benefit in kind charge due?

### Answer

The car has an internal combustion engine and an original market value under £19,250 therefore Table A is applicable.

The car is 1598cc (between 1401 and 2000cc) and is under 4 years old and so the charge for the car is £1,980.

As business mileage is under 2,500 miles, the charge of £1,980 is increased by one half = £2,970.

Private fuel has been provided so a fuel charge from Table A for a 1598 cc car will also be added = £1,255. The fuel charge is never increased for business mileage.

Therefore, the total benefit in kind charge will be £2,970 + £1,255 = £4,225.

### Example 3

- An employee has been provided with a company car for both business and personal use for the period 20 November 2007 – 5 April 2008.
- No fuel has been provided.
- The car is a 3.6 litre petrol model and was newly registered on 6 April 2007 costing £36,500.
- Business mileage was 1,250 miles during the period.

What is the benefit in kind charge due?

### Answer

The car has an internal combustion engine and an original market value exceeding £19,250 therefore Table C is applicable.

The original market value of the car is £36,500 (more than £29,000) and the car is under 4 years old so the charge for the car would be £6,560 if the car had been available for a complete year.

The charge for the car is £6,560 pro rata as the car was only available for 137 days:  
 $£6,560 \times 137/365 = \underline{£2,462}$ .

No increase due to business mileage being under 2,500 miles is applicable as pro rata the business mileage would have exceeded 2,500 miles.

## 12. Pool cars

### 12.1 What is a pool car?

A pool car is a car made available to, and used by, more than one employee.

A pool car should not be used by one employee to the exclusion of others and should always be kept overnight at the premises of the employer.

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 pool car will be regarded as a company car and T9s should be submitted accordingly.

### 12.2 Is private use of a pool car a benefit in kind?

A genuine pool car should not be available for general private use and therefore no benefit should arise.

## 13. Exempt vehicles – vans, lorries and electrical cars

### 13.1 What types of vehicles are exempt?

Commercial vehicles such as vans and lorries are not chargeable provided that the **main** business purpose of the vehicle is for:

- 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.

In addition, a car solely powered by electricity is also an exempt vehicle.

### **13.2 What type of vehicle does not qualify as an exempt vehicle?**

Multipurpose Vehicles (MPV) and Sports Utility Vehicles (SUV) will not normally qualify for the commercial vehicle exemption and will be treated as a car. If the vehicle is fitted with a second row of seats, it is considered to be designed to carry passengers and will be treated as a car.

MPV and SUV include

- double cab pick ups e.g. Nissan Navara
- 4 X 4 Jeeps e.g. Land Rovers, Shogun, BMW X5
- people carrier e.g. Renault Megane.

### **13.3 Is a hybrid dual power vehicle exempt?**

Only a vehicle solely powered by electricity is exempt. Hybrid petrol/electric cars will be charged in accordance with the normal Car and Fuel Benefit scale rates.

### **13.4 What if I am on 24 hour call?**

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.

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

### **13.5 Is there a benefit in kind charge for employees who are picked up in a work's minibus?**

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

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

## 14. Business use of a vehicle owned by an employee

### 14.1 Can an employer reimburse an employee for using their own vehicle for business purposes?

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 Income Tax Division (see below).

### 14.2 What are the tax free pence per mile rates at which an employee can be reimbursed?

| Type of Vehicle   | First 6,000 Miles | Over 6,000 Miles |
|-------------------|-------------------|------------------|
| Motor Vehicle     |                   |                  |
| Engine Capacity : |                   |                  |
| Up to 1299cc      | 46.0              | 34.0             |
| 1300cc or over    | 52.0              | 40.0             |
| Motor Cycle       | 26.0              | 17.0             |

## 15. Provision of living accommodation

### 15.1 When is there a charge for living accommodation provided for an employee?

There will be a benefit in kind charge where an employee or director is provided with living accommodation by their employer for either no cost or a cost less than the open market value.

### 15.2 How do I calculate the benefit in kind charge?

The benefit in kind value is calculated in one of two different ways depending on whether the employer owns the property or is renting the property that is made available.

- **Where the property is owned by the employer** - the benefit in kind value is the open market rental value of the property plus any rates or insurance paid.
- **Where the accommodation provided is property which is rented by the employer** - the benefit value is the higher of the rent actually paid or the open market value. In addition, the cost of rates and insurance should be added if these are also paid.

**15.3 What if utility bills in connection with the accommodation are paid for by the employer?**

Payment by the employer of any utility bills connected with the provision of accommodation to an employee is a chargeable benefit and should be reported separately on form T9 under the SERVICES section.

Utility bills include the cost of:

- heating
- lighting
- garden maintenance
- domestic or other services
- repairs or decoration (but not structural alterations to the building).

**Example**

- An employee lives in a house owned by his employer.
- The open market rent for the house is £800pm.
- In addition, the employer pays the rates for the property totalling £850 and the electricity bills totalling £360.

What is the benefit in kind charge?

**Answer**

|                             |                |
|-----------------------------|----------------|
| Accommodation               |                |
| Open market rent (800 x 12) | 9,600          |
| Rates                       | <u>850</u>     |
|                             | 10,450         |
| Services                    |                |
| Electricity                 | <u>360</u>     |
| Total                       | <u>£10,810</u> |

**15.4 Will an employee be charged a benefit in kind if it is a requirement of their job to live in accommodation provided?**

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

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

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

**15.5 Are there any circumstances in which the provision of accommodation and/or utilities is exempt?**

Accommodation and utilities used solely for performing duties (not just as part of employment requirements) are not chargeable.

An example of accommodation and utilities being provided solely for performing duties would be an office worker who only attends their place of work in order to perform their job. There would be no benefit in kind charge for the provision of accommodation and services provided during their time spent at work.

**15.6 What if an employee makes a contribution 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 the benefit in kind 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.

## **16. Relocation expenses**

**16.1 What are relocation expenses and how are they treated for tax purposes?**

Relocation expenses are payments made by an employer as a direct result of a person moving to the Island to take up employment.

By concession, Income Tax Division will not tax relocation payments that are made within certain limits for certain expenses.

## **16.2 What types of payments made by an employer can qualify as relocation expenses and how much can be paid?**

Removal expenses:

- the direct costs of selling an old home
- legal costs of acquiring a new home in the Isle of Man
- removal expenses and indirect costs e.g. carpets, curtains
- payments that do not exceed £10,000 do not need to be reported and will not be taxable
- payments that do exceed £10,000 need to be reported in full on form T9 unless prior clearance has been given that no benefit arises.

Travel expenses:

- when an employee takes up residence in the Isle of Man, the cost of travelling between the old home and the Island, incurred in the first six months of employment, will not be treated as a benefit.

Temporary accommodation:

- the cost of providing temporary accommodation for the first three months does not need to be reported and will not count towards the £10,000 removal expense limit.

## **16.3 What happens if an employee receives more than the £10,000 relocation expenses limit?**

Amounts that in total exceed the £10,000 limit will need to be reported in full on benefit in kind form T9 unless prior clearance has been given by the Income Tax Division that no benefit arises.

# **17. Employer meeting the tax charge on a benefit in kind**

## **17.1 Can an employer settle the tax charge on a benefit in kind provided to an employee?**

Current practice is to allow employers, by agreement, to settle the tax charge on certain benefits they provide to their staff. The charge is calculated at 18% (higher rate of tax) on the benefit in kind value.

No benefit in kind value appears in the employee's assessment. Income Tax Division do not treat the employer settling the tax charge on a benefit as a further benefit in kind.

### **17.2 Who does an employer contact to get agreement if they want to settle the tax due on benefits in kind?**

If an employer wishes to settle the tax on a benefit in kind, they should contact the Tax Assurance Manager at the Income Tax Division on 685477.

## **18. Contact information**

|                      |  |
|----------------------|--|
| <b>Address</b>       | The Treasury<br>Income Tax Division<br>Second Floor<br>Government Office<br>Buck's Road<br>Douglas<br>Isle of Man<br>IM1 3TX |
| <b>Telephone</b>     | (01624) 685400   |
| <b>Fax</b>           | (01624) 685351   |
| <b>E-mail</b>        | <a href="mailto:incometax@itd.treasury.gov.im">incometax@itd.treasury.gov.im</a>   |
| <b>Website</b>       | <a href="http://www.gov.im/incometax">www.gov.im/incometax</a>   |
| <b>Opening Hours</b> | Monday to Thursday 9.15 am – 5.00 pm<br>Friday 9.15 am – 4.30 pm   |

# Appendix 1 – Form T9



**Isle of Man**  
Government  
*Reiljys Ellen Vannin*

## T9 – RETURN OF EXPENSES PAYMENTS AND BENEFITS

Tax Year 

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

| EMPLOYEE'S<br>TAX REFERENCE NUMBER |  |  |  |  |  |  |  |  |  |
|------------------------------------|--|--|--|--|--|--|--|--|--|
|                                    |  |  |  |  |  |  |  |  |  |

| NATIONAL<br>INSURANCE NUMBER |  |  |  |  |  |  |  |  |  |
|------------------------------|--|--|--|--|--|--|--|--|--|
|                              |  |  |  |  |  |  |  |  |  |

| SURNAME              | FORENAMES | ADDRESS |
|----------------------|-----------|---------|
| MR<br>MRS<br>MISS/MS |           |         |

| 1. EXPENSES – Please enter nature of expense   | Amounts £  |
|--|--|
| (A) i) _____   |  |
| ii) _____  |  |
| iii) _____   |  |
| (B) Have you received any dispensations – if so please state   |  |
| (C) I confirm ITRP has been deducted from all items above except dispensations and that all have been included in the figure of total pay on Form T14. | Please delete <input type="checkbox"/> YES <input type="checkbox"/> NO |

| 2. GOODS, GIFTS, ITEMS AT DISCOUNTED PRICES – Please state items:   | Gross Value | Paid by Employee | Taxable |
|---|-------------|------------------|---------|
| 3. LIVING ACCOMMODATION: Owned/Rented by employer (please delete)<br>Other services provided Yes / No (please delete)<br>(If yes, please enter in part 6) |             |                  |         |
| DESCRIPTION   |             |                  |         |
| Rents   |             |                  |         |
| Rates   |             |                  |         |
| Insurance   |             |                  |         |

| 4. MEALS     | No of Days | Gross Value | Paid by Employee | Taxable |
|--------------|------------|-------------|------------------|---------|
| Breakfast    |            |             |                  |         |
| Lunch        |            |             |                  |         |
| Evening Meal |            |             |                  |         |

|  |  |  |  |
|--|--|--|--|
| 5. CARS AND OTHER VEHICLES<br>(Please ensure the following details are shown for each vehicle –<br>Make, Date of first Registration, C.C., Original Market Value, Number of<br>Business miles, period of use. <b>Ensure that fuel benefit is shown where appropriate).</b> |  |  |  |
|--|--|--|--|

|   |  |  |  |
|---|--|--|--|
| 6. SERVICES AND ASSETS AVAILABLE (Includes home to work travel)<br>Please detail: |  |  |  |
|---|--|--|--|

|                           |  |  |  |
|---------------------------|--|--|--|
| 7. PECUNIARY LIABILITIES: |  |  |  |
|---------------------------|--|--|--|

|   |  |  |  |  |  |  |  |  |  |  |  |
|---|--|--|--|--|--|--|--|--|--|--|--|
| EMPLOYER'S NAME _____   | TOTAL £ <table border="1" style="display: inline-table; width: 100px;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table> |  |  |  |  |  |  |  |  |  |  |
|   |  |  |  |  |  |  |  |  |  |  |  |
| REFERENCE NUMBER <table border="1" style="display: inline-table; width: 200px;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table> |  |  |  |  |  |  |  |  |  |  |  |
|   |  |  |  |  |  |  |  |  |  |  |  |

I certify that the particulars shown are, to the best of my knowledge and belief, true and correct in every detail.

Signed: \_\_\_\_\_ Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

## Appendix 2 – Car and fuel benefit 2007/2008 – form R22(b)

### CARS AND FUEL MADE AVAILABLE TO EMPLOYEES FOR PRIVATE USE

A note of all business mileage must be kept and entered on form T9 at the end of the tax year.

If the employee uses the car for less than 2,500 business miles per year - not to include home to work travel, the scale charge for the car, (but not the fuel), is increased by one half. If more than 18,000 miles - not including home to work travel, the scale charge for the car is reduced by one half.

#### TABLES OF FLAT RATE CASH EQUIVALENTS APPLICABLE FOR 2007/2008

**Table A**

Cars with an original market value **up to** £19,250 and having a cylinder capacity (or which are electric cars)

| CYLINDER CAPACITY (CC)                          | <i>CAR RATE</i><br>AGE OF CAR AT 05.04.2008 |                 | <i>FUEL RATE</i> |
|---|---|-----------------|------------------|
|   | UNDER 4 YEARS                               | 4 YEARS OR MORE |                  |
| Electric cars (regardless of cylinder capacity) | £ Nil                                       | £ Nil           | £ Nil            |
| 1400 or less                                    | £1,070                                      | £710            | £990             |
| 1401 - 2000                                     | £1,980                                      | £1,320          | £1,255           |
| More than 2000                                  | £3,140                                      | £2,100          | £1,850           |

**Table B**

Cars with an original market value **up to** £19,250 and not having a cylinder capacity (or which are electric cars)

| ORIGINAL MARKET VALUE                           | <i>CAR RATE</i><br>AGE OF CAR AT 05.04.2008 |                 | <i>FUEL RATE</i> |
|---|---|-----------------|------------------|
|   | UNDER 4 YEARS                               | 4 YEARS OR MORE |                  |
| Electric cars (regardless of cylinder capacity) | £ Nil                                       | £ Nil           | £ Nil            |
| Less than £6,000                                | £1,070                                      | £710            | £1,850           |
| £6,000 - £8,499                                 | £1,980                                      | £1,320          | £1,850           |
| £8,500 - £19,250                                | £3,140                                      | £2,100          | £1,850           |

**Table C**

Cars with an original market value **more than** £19,250 (including electric cars)

| ORIGINAL MARKET VALUE                           | <i>CAR RATE</i><br>AGE OF CAR AT 05.04.2008 |                 | <i>FUEL RATE</i>  |
|---|---|-----------------|---|
|   | UNDER 4 YEARS                               | 4 YEARS OR MORE |   |
| Electric cars (regardless of cylinder capacity) | £ Nil                                       | £ Nil           | If car has a cylinder capacity use appropriate fuel rate at Table A above, for all other cars use fuel rate at Table B. |
| £19,251 - £29,000                               | £4,120                                      | £2,760          |   |
| More than £29,000                               | £6,560                                      | £4,360          |   |

## **Appendix 3 – Taxable benefit in kind**

- Accommodation, free or subsidised
- Board and lodgings provided
- Clothing provided (other than uniform)
- Domestic staff provided
- Food provided
- Fuel provided
- Gift vouchers
- Goods or services given to employee
- Goods or services made available to employee
- Heat and light provided
- Meals provided
- Meal vouchers (first 15p per voucher is tax free)
- Motor vehicle and fuel provided
- Property below market value
- Shares granted under certain unapproved schemes
- Telephones
- Transfer of ownership of company asset to employee
- Travel tickets (private)
- Travel and subsistence (unless covered by dispensation)

This list is intended only as a guide to the more usual taxable benefits and is not fully comprehensive.

## Appendix 4 – Exempt benefit in kind

- There is a general exemption from reporting chargeable benefits in kind if the aggregated value of the benefits for the year is less than £400.
- Accommodation used solely for performing duties - not just part of employment requirements
- Approved Profit Sharing or Savings Related Share Option Schemes
- Broadband connection
- Car parking free or subsidised (used principally for business purposes)
- Car parking fees used principally for business purposes
- Christmas party expenses up to £100 per head
- Commercial vehicles such as a van or lorry where the main business purpose is
  - the transportation of goods or materials used within the trade; or
  - the transportation of goods in the course of conducting a delivery service; or
  - the transportation of the tools or equipment used by the employee in performing their duties.
- Electric cars (does not include hybrid petrol/electric cars)
- Meals in work's canteen
- Medical insurance, dental insurance and health screening for employees provided by an employer's scheme. This exemption only applies to the cost of any medical insurance for the employee and any amount paid by the employer in respect of an employee's spouse or family member will be a reportable benefit in kind.
- Mobile telephone if contract is in the employer's name
- Nursery or crèche facility expenses necessary to enable employees to attend work
- Other benefits not specifically excluded which do not exceed £400 per annum in total (not including car or car fuel benefits)
- Personal computer supplied at the expense, wholly or partly, of the employee's employer for use at the employee's home. It includes devices designed to be used by being connected to or inserted in that computer. To the extent that the aggregate cash equivalent of the benefit does

not exceed £1,000 the benefit in kind charge will be exempt. Where the aggregate cash equivalent exceeds £1,000, only the excess over £1,000 shall be chargeable to income tax as a benefit in kind.

- Provision of a scheme to provide benefits to employees or dependents on retirement or death
- Public transport season tickets or multi journey tickets provided by the employer
- Sports and recreational facilities at an employee's place of work.