



## Isle of Man Government

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### 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 under the system of Manx taxation and that 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.

# Benefit in Kind Guide 2011

## 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.

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## 1 Introduction

This guide is designed to provide employers and tax practitioners with detailed information about how to comply with benefit in kind obligations.

However, it is only a guide and does not cover all the rules for every situation, nor does it provide a full interpretation of the rules. It should not be treated as a complete and authoritative statement of the law.

It is advisable that all employers and their agents familiarise themselves with the rules regarding benefits in kind to avoid any unnecessary penalties being charged for omitted benefits.

This guide explains:

- How benefit in kind operates
- How to complete the benefit in kind form
- Record keeping requirements
- Reportable benefit in kinds
- How to identify and value each type of benefit
- The various exemptions available.

If after reading this guide you have any questions about benefit in kind, you should contact your tax adviser or phone the Tax Office on 01624 685400.

You can also access the information contained in this guide on our website at [www.gov.im/incometax](http://www.gov.im/incometax).

## 2 What's new from 6<sup>th</sup> April 2011

No changes have been introduced regarding the treatment of benefits in kind for the tax year commencing 6 April 2011.

However, it is important to note that new measures to improve compliance were introduced by the Income Tax (Instalment Payments) (Temporary Taxation) Order 2010. These new measures enable the division to issue statutory penalties in cases of non compliance, which for the purposes of reporting benefits in kind are as follows;

- The T9 Benefit in Kind form is, with effect from the 2010/2011 tax year, an integral part of the Employers Annual Return Form. Failure to provide accurate T9forms, where benefits have been provided to employees, with the return form by the due date will result in a £250 penalty, with a further £50 penalty being due for each day that the return remains outstanding. It is therefore important that the return is completed correctly and submitted on time in order to avoid these penalties.

For more detail regarding these new compliance measures refer to the Employer's Guide which can be found at [www.gov.im/incometax](http://www.gov.im/incometax)

Also, note that enhancements were made to the Online Employer Tax Service, so that;

- An employer can submit their T9 forms online in conjunction with the online T14, as part of their online return form submission.

If you have not already enrolled for online tax services, please go to [www.gov.im](http://www.gov.im) and select the online services tab at the top right hand side of the site. If you require assistance in registering, please contact the Isle of Man Government Online Help Desk on 686111.

If you submit employer annual returns manually, the new style form T9 can be downloaded by going to the income tax website [www.gov.im/incometax](http://www.gov.im/incometax). You can then print off as many copies of the new form as you require.

### **3 Legislation**

The legislation covering benefits in kind and expenses is covered within the following Act that was passed by Tynwald.

- The Income Tax Act 1970
- The Income Tax (Benefits in Kind) (Exemptions) Order 2007
- The Income Tax Act 2008

Copies of the legislation can be found on [www.gov.im/incometax](http://www.gov.im/incometax)

#### **The Income Tax Act 1970**

- Section 2F Sets out the treatment of payments in respect of expenses
- Section 2G Informs what a benefit in kind is; who it applies to and that the Treasury may provide for exemptions
- Section 2H How to calculate the benefit in kind charge for general benefits
- Section 2I How to calculate the benefit in kind charge for a car made available for private use
- Section 2J How to calculate the benefit in kind charge for fuel provided to an employee
- Section 2K Sets out the treatment of pool cars

#### **The Income Tax (Benefits in Kind) (Exemptions) Order 2007**

- qualifies the exemptions conferred by Treasury under section 2G(4) of the Income Tax Act 1970

#### **The Income Tax Act 2008**

- This revises the method of charging car and fuel benefits in kind from a market value basis to a cylinder capacity basis

### **4 Employer Online Services**

Employer Online Tax Services has been developed to allow employers to review, submit, pay and interact with the Income Tax Office. It provides greater flexibility and control for those who register, as users interface directly into the tax system having access to up to date information in real time.

You can use the service to make real time updates and submit documents online, saving time and costs – no need to send the monthly remittance card by post, as you can submit online and make online payment at your desk.

The services currently available include;

- Ability to submit the employer's annual return (including part year returns to cessation), with the ability to complete online T14's for each employee or attach an end of year electronic payroll file
- The ability to submit online benefit in kind forms (T9), when completing the employer's annual return form online
- The ability to pay monthly remittances of tax and national insurance (including NIL remittances) and submission of the online remittance card (T35)
- Employee details may be viewed and updated
- The submission of details for employees starting and leaving their employment (T20/T21)
- Electronic lists of current employee codes can be accessed when required

To access Online Tax Services you first need to register for Isle of Man Government Online Services – login to [www.gov.im/onlineservices](http://www.gov.im/onlineservices) and follow the instructions. For more information regarding these services visit our website at [www.gov.im/treasury/incometax/services/onlinetaxservices.xml](http://www.gov.im/treasury/incometax/services/onlinetaxservices.xml)



## 5 Benefit in Kind Overview

In some tax jurisdictions, benefits in kind are referred to as fringe benefits. It is advisable that all employers and their agents familiarise themselves with the rules regarding benefits in kind to avoid any unnecessary penalties being charged for omitted benefits.

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.

According to the Income Tax legislation, a benefit in kind is a benefit provided by virtue of an individual's employment. This effectively means a benefit provided to somebody because they are an employee or office holder, or a person connected to the employee or office holder.

The rules for the charging of benefit in kind also extend 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.

There is an obligation to submit a T9 return of expenses payments and benefits form even where the individual receiving the benefit is not linked as an employee and therefore no T14 is submitted at the end of the year. In these cases the T9 form should be submitted together with those for the employees for which T14s are submitted.

Where no employer's role exists and benefits are provided, for example a company providing benefits to a company director, then a T9 should be submitted to the Income Tax Division marked "no employer role exists".

There are two categories of benefits that can be provided, each with their own rules for reporting purposes;

### 5.1 General Benefits

The term general benefits applies to all benefits that are not related to the provision of a company car and company car fuel.

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

- provides an employee with free or below market value accommodation
- pays an employee's gym or golf club membership
- provides entertainment by way of free tickets to concerts
- reimburses a personal expense incurred by an employee, such as school fees
- allows an employee to take free meals, food or drink from the business during the course of a day

There are certain benefits which are not chargeable by virtue of the Income Tax (Benefits In Kind) (Exemptions) Order 2007. This includes cases where the aggregate value of all the general benefits received is below £400. In these cases the Income Tax Division will not charge the benefits provided to tax.

Where an employee is provided with benefits in kind other than company cars and company car fuel (benefits assessable under section 2G of the Income Tax Act 1970) the benefits in kind should only be declared on a form T9 where the aggregate total of all general benefits exceeds £400. If the aggregate total is less than £400, then they need not be reported. Note that the aggregation is based on £400 per employee per employer.

## 5.2 Company Car and Fuel Benefits

Any car or fuel benefits provided under sections 2I, 2J and 2K of the Income Tax Act 1970 are not subject to the aggregation rules and reporting concession. Any benefits provided should be included on form T9 and subject to a benefit in kind charge.

Reference should be made to the appropriate table to determine the amount of benefit charge due. This is based on the car cylinder capacity only with effect from the 2009/2010 tax year and subsequent years.

## 6 I want to know about chargeable and exempt benefits

While this list is not exhaustive, it details the benefits more commonly provided to employees. If you provide any benefits not contained within this list, you should contact the Income Tax Division for guidance as to how the benefits provided should be treated. If in doubt, report all benefits on the appropriate T9 form.

Chargeable Benefits	Exempt Benefits
Accommodation, free or subsidised	Approved profit sharing or savings related share option schemes
Board and lodgings provided	Broadband connection
Clothing other than uniform	Car parking fees used principally for business purposes
Dental cover for non employees	Christmas party expenses up to £100 per head
Domestic staff provided	Commercial vehicles such as a van or a lorry where the main business purpose is the transportation of goods and materials.
Fuel provided	Electric cars - does not include hybrid petrol electric cars

Gift vouchers	Meals in a works canteen
Goods or services provided by an employer	Medical Insurance, dental insurance and health screening for employees provided by an employer's scheme
Heat and light provided or payment of personal bills such as rates, satellite TV, insurance	Mobile telephone, where contract is in the name of the employer
Long service awards with a value of over £400	Nursery or crèche facilities directly paid to a registered child minding facility, by the employer, on behalf of an employee
Meals	General benefits which do not exceed £400 per annum
Medical cover for non employees	Personal computer and computer devices which do not exceed the aggregate cash equivalent of £1000
Membership of gym, golf club etc.	Plant and machinery where used for business purposes
Motor vehicle and fuel provided	Provision of a scheme to provide benefits to employees or dependents on retirement or death
Property below market value	Public transport season tickets or multi journey tickets provided by the employer
Shares granted under unapproved schemes	Safety work clothing such as hard hats, high visibility jackets and safety boots
Transfer of ownership of company asset to employee	Sports and recreational facilities at an employer's place of work

## 7 I want to know how I treat 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.

### 7.1 Company Cars

If an employee or a company director 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.

Cars are charged by reference to the scale charge, which is the deemed value of the benefit in kind. It takes account of 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 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.

To calculate the benefit in kind due, reference should be made to the published Car and Fuel Benefit Tables (form R22(b)) that establish a cash equivalent for benefit in kind purposes.

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

<b>Cylinder capacity of car (in cubic centimetres)</b>	<b>Cash equivalent in respect of car for purposes of section 2I</b>	<b>Cash equivalent in respect of fuel for purposes of section 2J</b>
Electric car (regardless of cylinder capacity)	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

## **7.2 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 for the 2009/2010 tax year and subsequent tax years you will need the following details:

- make and model of the car

- car cylinder capacity (cc)
- period of use of the car.

The original market value is not taken into account in determining the scale charge for 2009/2010 and subsequent tax years.

The scale charge from the 6<sup>th</sup> of April 2009 is based purely on the car cylinder capacity (cc). The cylinder capacity is the cylinder capacity of its engine calculated as for the purposes of the Licensing and Registration of Vehicles Act 1985.

### **7.3 Mileage records**

Business mileage is not taken into account in determining the car scale rates for 2009/2010 and subsequent tax years.

### **7.4 In what circumstances is the scale charge reduced?**

The scale charge may be reduced for the following reasons:

- the car was not available for the full year, or
- the employee pays a contribution to the employer for the use of the car.

### **7.5 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.

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

This does not apply for 2009/2010 and subsequent tax years, as the original market value is disregarded for the purposes of calculating the scale charge.

### **7.7 Contributions towards running expenses of 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 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.

It is important to differentiate between a contribution towards the use of the car and a contribution towards fuel provided by an employer. It should be specified within a contract of employment, what the contribution covers. Remember that fuel is an all or nothing charge, so if an employee contributes towards fuel, but cannot prove that all fuel covering private mileage has been repaid in full, then the full fuel scale rate charge can still apply.

## **7.8 Where an employee (or their family member) has the use of more than one car at the same time**

For 2009/2010 and subsequent tax years, if more than one car is made available concurrently to an employee or their family member, the scale charge for each car is applied in full without alteration.

## **7.9 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 based on the number of days made available to reflect the period of use for each car.

## **7.10 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.

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 should be forwarded to the Division to confirm this change.

In the event that the employee fails to comply with this directive, then the full scale rate charge should be applied.

<b>Type of Vehicle</b>	<b>First 6,000 Miles</b>	<b>Over 6,000 Miles</b>
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 in the employee's employment contract.

### 7.11 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.

### 7.12 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 always be kept overnight at the premises of the employer.

A genuine pool car should therefore 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 pool car will be regarded as a company car and T9 forms should be submitted accordingly.

A pool car will normally be a car that;

- is kept outside the business premises, kept 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 normally 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

### 7.13 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.

### **7.14 Are MPV, SUV, 4x4 and Double Cab Pick-Ups Chargeable?**

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 4s" (e.g. Land Rovers, Shogun, BMW X5)
- people carrier (e.g. Renault Scenic)

### **7.15 Are Hybrid Dual Power Vehicles Chargeable?**

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.

### **7.16 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 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 scale tables if they consider that would be more favourable.

### **7.17 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, unless the car falls into the category of an emergency vehicle (see following section)..

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.

The requirement to be on 24 hour call should be included within the employee's contract of employment and a record should be maintained of all occasions when the employee was required to attend to business out of normal working hours.

In the event that a record of call outs and contract of employment cannot be produced, the office will charge the employee under the normal benefit in kind rules for company cars.

Employers who think that their employee qualifies for this exemption should contact the Income Tax Division to ensure that their determination is correct.

### **7.18 Exempt Emergency Vehicles**

Where a vehicle is fitted out as an emergency vehicle, used to attend emergencies and is made available to an employee for personal use, a case may be made to the Division requesting an



exemption in respect of the vehicle from the imposition of a benefit in kind charge. An exemption may be granted on a case by case basis upon consideration of all the facts relating to the provision of the vehicle to the employee.

If an emergency vehicle is provided to an employee for personal use without an exemption being authorised by the Income Tax Division, then the normal rules regarding charging benefit in kind for the provision of a vehicle should apply.

For clarity, the following emergency vehicles are by their nature exempt from a benefit in kind charge;

- Ambulance
- Fire engine
- Police Car
- Paramedic

The requirement to be on call during the period that the vehicle is made available for personal use must be included within the employee's contract of employment and a record should be maintained by the employer of all occasions when the employee was required to attend to business out of normal working hours.

In the event that a record of call outs and contract of employment cannot be produced, the office may charge the employee under the normal benefit in kind rules for company cars.

Employers who think that their employee qualifies for this exemption should contact the Income Tax Division to ensure that their determination is correct.

Examples of emergency vehicles for which an exemption may be granted are those fitted out to attend emergencies and used for the following purposes;

- Police purposes
- Fire brigade purposes
- Ambulance purposes
- Road side accident purposes e.g. Road Side Accident Response Vehicle
- Coast guard purposes
- Civil defence purposes
- RNLI purposes
- Bio hazard purposes Vehicle e.g. Dead Animal Removal Vehicle

Vehicles of this type would normally have the following;

- Flashing warning beacon
- Audible warning device e.g. siren

## 7.19 Other Exempt Vehicles

In addition to the emergency vehicles above, other vehicles can be exempt from a benefit in kind charge.

This section of the guide provides some detail regarding these other cars and vehicles that are exempt from a benefit in kind charge. If in doubt you should contact the Income Tax Division to obtain clarification as to whether a benefit in kind charge is due on a particular car or vehicle.

### **Vans and lorries:**

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.

Single cab pick-ups may also fall within the exempt category as long as they meet the criteria above. However, if the vehicle is clearly not required or used to carry goods, materials and tools, then the exemption does not apply.

### **Electric cars:**

In addition to vans and lorries, a car solely powered by electricity is also an exempt vehicle. Note however that hybrid electric vehicles, do not qualify under this exemption.

### **Mini buses:**

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.

## 7.20 Transfer of a company owned vehicle 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
- the cost to the employer of providing the benefit.

### 7.21 Provision of car fuel (company cars)

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

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

The fuel charge is calculated by reference to the annual Car and Fuel Benefit Table (form R22 (b)) which determines the cash equivalent appropriate for the cylinder capacity.

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

### 7.24 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 Income Tax Division (see below). Remember, records should be maintained for inspection on request.

The pence per mile rates referred to above are detailed below;

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

### **7.25 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 from office to premises of client and return
- travel to an alternative business destination that is not their 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 they perform substantial duties e.g. an architect visits a building site to check plans on the way to office

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

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

### **7.27 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 business while client to office is private
- 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.

### **7.28 Normal Place of Work**

The normal place of work is where an employee normally performs their duties of their employment. An employee's home would not be regarded as the normal place of work unless there is an objective requirement for them to carry out their duties of office/employment from their home.

It is not sufficient for an employee merely to carry out some duties at home or do some work from home using equipment owned by the business. Usually the employer provides the facilities necessary for the work to be performed at the business premises. Working from home is generally a matter of personal preference, rather than contractual requirement.

## **8 I want to know how I treat accommodation**

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.

Employers and tax practitioners should also note that a charge can also be raised in instances where accommodation is provided to an employee, by virtue of their employment and that this accommodation does not necessarily have to be above or adjacent to the business premises.

## **8.1 How do I calculate the benefit in kind charge?**

The benefit in kind value is calculated differently 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, less any contribution made by the employee.

Where the accommodation provided is a property which is rented by the employer the benefit value is the higher of the rent actually paid or the open market value plus any rates and insurance paid, less any contribution made by the employee.

## **8.2 Agricultural Workers**

If an agricultural worker, who is paid under the Agricultural Wages Act, receives accommodation from 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 by clicking on the following link [www.gov.im/infocentre/acts](http://www.gov.im/infocentre/acts)

## **8.3 Payment of Utility Bills**

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, Assets available and Pecuniary Liabilities 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).

## **8.4 Directors and their Dependants**

A director, who owns a property through a holding company and allows their dependants to live in this family residence, may elect not to complete a T9 form for the provision of their living accommodation.

In this instance, they cannot however claim any expenses relating to the private accommodation within their accounts.

The Division would class dependants in this case as being partner and child. Relatives such as cousins etc. should still continue to suffer a benefit in kind charge for accommodation provided.

Employers and tax practitioners should also bear in mind that where the accommodation is separate to the family home e.g. accommodation separate to the family home such as a flat above their family shop business, benefit in kind charges may also be due.

## **8.5 Job Related Accommodation**

There is no specific 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 for the accommodation, heating, lighting etc provided during their normal working hours. However, if an employee or director decided to sleep over in their work premises, then a benefit in kind charge would be due.

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

## **8.6 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 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.

Employers should clearly record the monies received within the gross profits of their business accounts, so that the Division can confirm whether the contributions have actually been received.

If the employer deducts the contribution towards the accommodation directly from the employee's salary, then when calculating the employee's remuneration, I.T.I.P. and National Insurance deductions, no deduction of the rent paid should be made from the employee's gross salary. The employer should deduct the contribution from the employee's net pay after deductions of I.T.I.P. and National Insurance. The payslip issued to the employee should reflect this position.

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

Failure by the employer to deduct the correct amount of I.T.I.P. will render the employer liable for the tax that should have been deducted and will result in the issue of a £250 penalty for non compliance.

The T9 form should reflect the gross value of the benefit, less the contribution made by the employee, resulting in the net value being charged as a benefit in kind. Failure to submit the form T9 with the

employer annual return will result in a £250 late return penalty and an additional charge of £50 per day for each day that the complete return remains outstanding.

## 9 I want to know how I treat meals

When an employer provides meals to an employee a benefit in kind charge will arise. Free or subsidised meals provided in a staff canteen may not be chargeable.

An employer should familiarise themselves with the definition of a staff canteen, as in many cases the facilities provided do not meet the requirements of the exemption and a benefit in kind charge should be raised for the meals supplied to an employee.

### 9.1 Chargeable Meals

Where basic meals are provided to employees, an employer can use the following rates, as being a reasonable valuation for meals made available:

Breakfast	£0.90
Lunch	£1.80
Evening Meal	£1.80

This table is intended to be used by establishments that provide meals to clients and customers.

### 9.2 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 cost of cooking the item/ items concerned.

### 9.3 Luncheon Vouchers

There is no longer a 15p per day exemption on the provision of luncheon vouchers. If an employee is provided with such vouchers, their employer should maintain records of the value provided to employees during the course of a tax year and report the benefits provided on a form T9. If these exceed the charging threshold of £400, then the full amount will be subjected to tax.

### 9.4 Employer Accounts with Food Retailers

Some employers now have accounts with food retailers such as sandwich bars and takeaways. Employees are free to pick from the food retailers menu, whilst their employer picks up the cost of the food. The benefit in kind should be raised based on the value of the food items provided.

## **9.5 Waste Food Stuffs**

Food that is left from service or those items destined for the refuse, are still assets of the company and therefore subject to a benefit in kind charge, when provided to an employee.

## **9.6 Staff Canteen**

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

This exemption 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.

## **9.7 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

## **9.8 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 some way 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 within their gross profit figure in their accounts.

## **10 I want to know how I treat other benefits in kind**

### **10.1 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 should be by the employee as a consequence of attending his/her place of work.



## 10.2 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 should be by the employee 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 towards this benefit.

## 10.3 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
- payment must be made directly from the employer to the qualifying crèches or nursery

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

Where the child care payments fall into the following criteria the payments will not qualify as an exempt benefit;

- Where the employer makes a payment directly to the employee to cover childcare cost it will be taxable and should be subjected to ITIP deductions
- Where the employer directly meets the cost of childcare as a result of a salary sacrifice arrangement, a benefit in kind charge will still apply, unless the salary sacrifice meets the conditions as set out in the employers guide.

## 10.4 Christmas Parties

There is a general benefit in kind exemption on Christmas party expenses of up to £100 per head. Where Christmas parties are not held, the Division will allow the exemption to cover one annual event per year.

## 10.5 Company Credit Cards and Company Accounts with Suppliers

If an employee has goods or services provided to them via the use of a company credit card or company account with a supplier, then a benefit in kind charge will arise unless the full value of commodities paid for on their behalf is repaid in full to the employer.

## **10.6 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.

## **10.7 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 on items which are valued at over £400.

## **10.8 Daily Incidentals -Tea, Coffee, Sugar and Milk**

If an employer provides tea and coffee to its employees, the Division will not pursue a benefit in kind charge on these sundries provided.

## **10.9 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 below cost value. However, if the goods are sold below cost value then the taxable benefit is the cost to the employer in providing the benefit, less any contribution by the employee.

## **10.10 Employee Death or Retirement**

Where a pension, annuity, lump sum, gratuity is given to an employee on their retirement or in the event of their death these benefits are transferred to their children, spouse or dependants, no benefit in kind charge will arise.

## **10.11 Gym Membership/ Golf Club/ Health Club**

Where an employer provides membership for a club or society, a benefit in kind charge will arise on the value of the fees paid on the employee's behalf

## **10.12 Home Broadband Connection**

Any costs associated with the provision of a home broadband connection, regardless of whether it is for business or private use can be treated as being a benefit falling within the current £1000 annual exemption for computers.

## **10.13 Home Landline Telephone**

If an employer pays 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.

### **10.14 Loans**

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

This could arise where;

- A directors 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.

### **10.15 Long service Awards**

If an employee is provided with a gift by their employer for long service for their business the general benefits rule should be applied. Any gift which has a value over £400 will be subject to a benefit in kind charge.

Cash given to an employee in respect of long service should be put through the payroll and subject to tax and national insurance.

### **10.16 Medical Insurance**

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

If the plan 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 and must be reported on a 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 then 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.

### **10.17 Mini Buses**

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.

### **10.18 Periodicals and Journals**

The cost of providing newspapers and periodicals to employees for business purposes is exempt from benefit in kind. This would not apply where business use is incidental

### **10.19 Personal Accountancy Expenses**

If an employer meets the charge on an employee's personal accountancy expenses, then a benefit in kind charge will arise. For example a personal income tax form of an employee completed at the expense of the employer would generate a benefit in kind charge.

### **10.20 Personal use of a Company Asset (other than a high value asset)**

Personal use of a company asset is regarded as a benefit in kind. The benefit in kind value is determined by the type of asset made available. Examples of company assets are jet skis, plant and machinery etc.

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.

The charge is not subject to apportionment if the asset is wholly or partly used during a tax year and is charged on the basis that it is available for private use, as in the case of cars.

Employers should also include any private running costs associated with the use of the asset, separately on the benefit in kind form.

This charge only arises where the employer does not charge the full market rate for the provision of the asset.

If the asset is a car or living accommodation, the benefit in kind value is calculated by an alternative method. If the asset is computer equipment, it may be an exempt benefit.

### **10.21 Personal use of High Value Assets e.g. Aircraft, Helicopters and Yachts**

The benefit in kind charge is 20% of the market value of the asset when first made available plus any private running costs associated with use of the asset.

The charge is an annual value based on the fact that the asset is available during the year for private use. It is not a proportional charge for private use so does not reflect the number of days actually used.

For example an employee has private use of a company aircraft for 10 hours during a particular tax year. The aircraft is used for 90 hours of business use.

The charge is 20% of the market value of the aircraft when first made available. The charge is not an apportionment of the market value of the aircraft based on private/business use and is based on the whether the asset is available for private use during the tax year.

The employer should include any private expenses incurred with the running of the aircraft separately on form T9.

This charge only arises where the employer does not charge the full market rate for the provision of the asset.

## 10.22 Public Transport Travel tickets

Public transport season tickets or multi journey tickets provided by the 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.

## 10.23 Relocation Expenses

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

The Income Tax Division will, by concession, not tax relocation payments that are made within certain limits for certain expenses. The intention of the relocation concession is to assist employers where the employee is relocated to the Island to undertake full time employment and residence on the Isle of Man.

It does not apply where an individual comes to the Isle of Man for the purposes of setting up a business as the individual has not relocated to take up employment, but to create their own business.

Where the concession applies, the Income Tax Division will not tax relocation payments that are made within certain limits for certain expenses. These are set out in Practice Note 40/92 and include the following;

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 traveling 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.

The Division understands that in some cases, personnel may be relocated from outside Europe and that relocation may exceed the £10,000 concessional limit. Amounts that in total exceed the £10,000 limit should be reported in full on Benefit in Kind form T9. However, in such cases employers can approach the Division prior to the tax year end to seek clearance of such payments.

The office will apply its judgment on the expenses provided, based on the principle that they are reasonable in nature.

An employee who receives travel between the Isle of Man and a destination which is not their previous place of residence is subject to a benefit in kind charge.

The concession does not cover relocation expenses of an employee leaving the Isle of Man.

### **10.24 School Fees**

As school fees are a personal expense, any costs paid for on behalf of the employee would be subject to a benefit in kind charge.

### **10.25 Share Schemes**

Various types of share schemes are provided by employers to their employees. This section provides some advice regarding the treatment of these schemes.

Due to the technical nature of share schemes, it is advised that agents and employers, who are considering the commencement of a scheme, contact the Division to seek clarification on their treatment.

If an employer operates a share option scheme or similar scheme they can request an exemption from income tax on benefits arising from these schemes.

The schemes must conform to certain requirements and must be approved by the Assessor of Income Tax, otherwise tax will be chargeable in relation to all shares and other benefits provided via the scheme.

If an application for approval is to be made, then the following information must be provided:

- a copy of the rules of the scheme and a copy of the trust deed under which the scheme has been established
- a copy of the form of contract under which the options will be granted
- a copy of any documents which will be issued to participants in connection with the scheme
- a copy of any approval of the scheme, issued by any overseas tax jurisdiction, if appropriate.

Where a company operates a share option scheme or similar scheme, which has not been granted approval by the Assessor of Income Tax; where approval has been withdrawn or where the terms of the approval of the scheme have been broken, a benefit in kind charge will arise and must be reported on form T9 for the employee concerned.

### **10.26 Sporting and Recreational Facilities Provided at an Employers Business Premises**

The use of facilities located at an employer's place of business is exempt from benefit in kind charges.

## **10.27 Staff Entertaining**

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

Examples where a charge would arise are;

- drinks supplied to staff in the boardroom every Friday
- tickets provided to staff for theatre, concerts, football
- summer ball

Note that there is a general benefit in kind exemption on Christmas party expenses of up to £100 per head. Where Christmas parties are not held, the Division will allow the exemption to cover one annual event per year.

## **10.28 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, or
- 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, or
- 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 aggregate benefit in kind charges for use of the asset prior to transfer.

## 10.29 Travel

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

Travel can be for business purposes only, but can 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;

<b>Nature of Travel</b>	<b>Treatment</b>
Employee – business trip	Exempt from benefit in kind
Employee and spouse (non employee)- business trip	The employee is exempt from a benefit in kind charge, however the spouse will be liable to benefit in kind charge for flights, accommodation and incidentals provided on their behalf by the company
Employee non business trip or travel provided to non employee	Flights etc. paid for on the employees/ non employees behalf would be subject to a benefit in kind charge
Employee- business trip, with private element e.g. visit to see family	If there is duality of purpose, then a benefit in kind charge will arise
Airline/ Travel employee- provided with discounted flights	The benefit in kind charge would be the cost value to the employer less any employee contribution.
Employee provided with travel allowance	Travel allowances should be paid through the payroll and subject to tax and national insurance
Employer allows employee to use business travel account to book private travel	Unless all private travel is reimbursed back to the employer, then the value of the private travel provided would be subject to a benefit in kind charge

## 10.30 Tuition/Training

Where courses, tuition or training is paid for on behalf of an employee there will be no charge if it is either specifically or generally employment related.



Where it relates to personal interest courses or personal interest training then a charge will arise based on the cost to the employer in providing the course, tuition or training.

### **10.31 Utilities and Personal Bills e.g. Sky TV, Home Electricity, Personal Credit Card**

If an employer pays an employee's personal bills, a benefit in kind will arise on the value of the liability covered by the employee.

### **10.32 Uniforms and Special Clothing**

If an employee is provided with protective, specialist, or safety clothing no benefit in kind charge will arise. In addition 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.

Shoes, socks and underwear are not considered part of the exemption for uniforms. Non specialist or clothing not considered to be corporate wear provided by an employer is subject to a benefit in kind charge, based on the value of the benefit provided, less any contribution made by the employee.

## **11 I want to know about exemptions and concessions**

The Income Tax Act 1970 - Income Tax (Benefits in Kind) (Exemptions) Order 2007 confers powers to Treasury, described in section 2G (4) of the Income Tax Act 1970, to provide for some exemptions to Benefits in Kind.

Currently the following benefits in kind are exempt from a charge;

- accommodation used solely for performing duties - not just part of employment requirements - an employee is not charged a benefit in kind for heating and lighting when at work performing contracted duties.
- broadband connection
- car parking fees used principally for business purposes
- car parking free or subsidised (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

- mini buses
- mobile telephone - where contract is in the name of the employer
- 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.

In addition, the following benefits are not chargeable by concession;

- Approved Profit Sharing, Savings Related Share Option Schemes or similar schemes are not chargeable by concession providing that the rules of the scheme are applied correctly. Non approved schemes are chargeable and must be reported
- reasonable relocation expenses payments made by an employer as a direct result of an employee moving to the Island to take up employment.

## **12 I want to know about expenses and reimbursements**

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

This dictates that reimbursed business expenses payments, made to an employee, are treated as remuneration by virtue of their employment and are subject to ITIP deductions.

However, if a dispensation has been granted by the Income Tax Division, this removes the requirement for the employer to subject the reimbursement to ITIP deductions and also the requirement for the expenses reimbursed to be declared on a form T9.

In cases where an employer pays for an employee's personal expenses and these personal expenses are not fully reimbursed back to the employer, a benefit in kind will arise.

Where expenses are reimbursed to employees on a round sum basis (i.e. not on a receipt basis), the employer must include the full amount in the gross pay and subject this sum to both tax and national insurance.

The following table outlines the different treatment applied to employee's expenses. If an employer has an expense not shown below you should contact the Income Tax Division for further guidance.

<b>Type of Expense</b>	<b>Treatment</b>
Round sum payments and reimbursements of non receipted expenses	Include in salary payroll and subject to tax and national insurance
Reimbursement of genuine business expense where no dispensation has been granted	<p>Include in salary payroll and subject to ITIP deductions But do not subject to NI deductions</p> <p>Report on form T9 and indicate that this has been included in gross pay on T14. Form T9 should be submitted with the annual employers return</p>
Payment of non business expenses directly by employer where no dispensation has been granted	<p>If the personal expense has not been repaid in full to the employer, then a benefit in kind charge will arise</p> <p>Form T9 should be completed and submitted with the employer's annual return</p>
Reimbursement of genuine business expense where a dispensation has been granted	<p>With dispensation agreement, reimbursements can be made without subjecting the repayment to tax and national insurance</p> <p>No form T9 is required to be completed to indicate what expenses have been repaid and no claim should be pursued by the reimbursed employee</p>
Reimbursement of business pence per mile rate at agreed Government pence per mile rates	<p>No dispensation required. Reimbursements can be made without subjecting the repayment to tax and national insurance</p> <p>No form T9 is required to be completed to indicate what expenses have been repaid and no claim should be pursued by the reimbursed employee</p>

If the reimbursement of expenses has not been paid via the payroll, it is important that you indicate that these expenses have not had I.T.I.P. deducted and are not included in the figure of total pay on

the form T14. This should be clearly indicated on the benefit in kind form T9. This is not the correct treatment as all reimbursement of expenses should be paid via the payroll.

### **13 I want to know about dispensations**

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

It indicates that the Income Tax 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 expenses claims made by employees
- employee's 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 benefit in kind charge
- petty cash is monitored and controlled effectively by a business

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 accommodation
- business entertaining
- mileage allowance when an employee uses their own vehicle for business purposes

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 £20 per month in case they use their own vehicle for business purposes. Where expenses are not reimbursed on a receipts basis and a round sum payment is made to an employee, there is the possibility that a profit could be made by the employee on expenses incurred. Any round sum payment made or any expenses repaid without the production of a receipt, should go through the payroll and be subject to tax and national insurance.

Some examples of these payments are:

- clothes allowance
- entertaining allowance
- fuel allowance
- lodging allowance

- meals allowance
- standby payments
- subsistence payments
- tool money
- travel allowance

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 the employer will have to report all expenses payments on form T9.

To apply for a dispensation you should write to the Third Party Manager 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 i.e. company accounts with suppliers, company credit card
- the amounts involved
- details of your system for controlling and authorising any reimbursements, to ensure that any expense claim is receipted and genuinely business in nature
- details of your 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 your company has specific rules regarding the reimbursement of expenses it would be helpful to provide a copy with your dispensation request. The office would also ask that you supply a copy of an expenses claim form, so that it can be reviewed within this process and held on file.

Further information may be requested 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.

#### **14 I want to know if an employer can meet 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 charge is calculated at the higher rate of tax on the benefit in kind value, which for the tax year 2010/2011 and subsequent years is 20%.

If an employer wishes to settle the tax on a benefit in kind, they should contact the Income Tax Division on 685400.

## 15 FAQs

Benefits in kind cover a wide variety of benefits and it is important to ensure that the treatment of each specific benefit is applied correctly. Mistakes can and have been made when dealing with and reporting benefits in kind to the Income Tax Division.

This is more important now, as penalties can be applied in respect of benefits not reported correctly or by the due date. It is advisable for employers and their tax advisors to review the assets, personal liabilities and services provided to their employees, in order to ensure that all benefits are correctly reported on time to avoid the imposition of any penalties.

If it is unclear whether a benefit should be reported or not, please contact the Income Tax Division for guidance on 685400.

Below are some examples of common mistakes made with regard to the reporting of benefits and expenses:

- When a company puts livery on a vehicle to advertise their business, and the vehicle is made available to employees for private use, a benefit in kind charge will arise as the livery on the vehicle does not alter the fact that the vehicle is available to the employee for private use.
- Double cab pick-ups are viewed as chargeable vehicles by the Income Tax Division because the additional row of seats in the vehicle means that they are not primarily designed to carry goods, materials and tools, as in the case of vans.
- The same issue can occur with 4 x 4 vehicles and SUV's. There is an assumption that if these vehicles are being used for business purposes, including in an off road capacity, that no benefit in kind charge is due. These vehicles are treated as chargeable by the Division in the same manner as double cab pick-ups on the basis that they are not primarily designed to carry goods, materials and tools.
- Vans are usually deemed to be exempt from benefit in kind as they are designed to carry goods materials and tools, rather than people, as in the case of 'cars'. However, in cases where the van is not being used primarily to carry goods, materials and tools, and in essence is being used instead of a car, a T9 should be completed. As the vehicle is not considered a car, the van would be subject to a charge under 2H of the Income Tax Act 1970. (20% of the market value of the asset when first made available). An example of this would be where a bank employee is provided with a van and carries out no practical duties for the company (i.e. no requirement to carry goods, materials and tools on a day to day basis)
- A pool car is not a pool car if the vehicle is not left outside the business premises overnight and at weekends and the vehicle is not insured for or used by a number of different employees. Factors such as being unable to leave the car at the business premises due to vandalism, would not negate the employers responsibility to provide a form T9.
- Where an employer leases a company car and provides the vehicle to employees for personal use they sometimes fail to supply a form T9 on the basis that they do not own the car. This is incorrect, as the car remains an asset of the company and is subject to the normal benefit in kind charges, based on the cylinder capacity scale rates.
- A benefit in kind charge can be raised on an employee if the vehicle is simply made available for private use, irrespective of whether it is used or not. For example, a charge can be raised if

a company car remains dormant on an employee's driveway for a number of months. The mitigating factor is that the car, although not driven, is still available for the employee to use privately. The fact that the car is primarily used for business purposes is not relevant when determining a benefit in kind charge.

- Some T9 forms are not completed because the asset made available to employees has been left out of the company accounts. If a company asset is made available to an employee, then a benefit in kind charge is due. The company should include the asset within the accounts, claim the appropriate capital allowances/expenses and provide a completed form T9.
- Previously companies could make allowances for the provision of benefits, by including add backs within the company accounts. This approach was ended and from the 6 April 2006 (see Practice Note 122/06), the employer could elect either for the benefit in kind to be charged directly on the employee's personal tax assessment or, they could meet the charge on the employee's behalf at the higher rate of tax on the agreed value of the benefit.
- There is an exemption for the charging of a benefit in kind on employees who are provided with medical insurance. However, it should be noted that spouses and family members are not included in this exemption category and are therefore subject to benefit in kind charge.
- It is common for employers to fail to charge a benefit in kind for meals supplied to employees, particularly in cases where the food is provided before being classed as waste and put in the refuse. If an employer chooses to provide leftover food to an employee, then a benefit in kind charge may be due. From a benefit in kind perspective the food is classed as an asset of the business and even if it is classed as waste by the company, it still has a value.
- Benefits in kind for accommodation can be charged on an employee by virtue of their employment. The accommodation provided does not just have to be above the business premises or in accommodation owned by the business. An example of this is where the father of a restaurant owner provides free accommodation to the employees of his son's restaurants in the block of flats he owns. The employee is being provided with a room and facilities based on the virtue of his employment with his son's restaurant.
- In cases where accommodation is provided, employers should ensure that any associated benefits are correctly declared. Consideration should be given to such things as rates, insurance, utilities, garden maintenance, repairs and the cost of a domestic or servant.
- Benefit in kind forms are sometimes not submitted with the annual employers return form. From the 6 April 2010 a return may be considered as not being acceptable if the required T9 forms are not supplied with the annual employers return form. Penalties may also be charged and prosecution may be pursued until the return is submitted with all of the relevant forms, including forms T9.
- Some employers confuse the payment of an allowance with a benefit in kind. All cash allowances and round sum payments should go through the payroll and should not be declared on a form T9. A list of some common allowances and payments are described below:
  - clothes allowance
  - entertaining allowance
  - fuel allowance

- lodging allowance
  - meals allowance
  - round sum subsistence payments.
  - standby payments
  - tool money
  - travel allowance
- Employers should be aware of the distinction in the benefit in kind treatment of fuel. The Table below explains the correct treatment for both company and private vehicles

<b>Company Car</b>	
<b>Description</b>	<b>Treatment</b>
Company car and fuel card	Apply fuel charge per table R22 (b)
Company car and fuel account	Apply fuel charge per table R22 (b)
Company car and reimbursement for fuel	Apply fuel charge per table R22 (b)
Company car where fuel is provided to employee, but some of fuel expense is repaid to employer	Unless employee can provide evidence that all private fuel has been repaid in full, apply fuel charge per table R22 (b)
Company car where fuel is provided to employee but all fuel expenses are repaid to employer	If all fuel is repaid or if the employee can show that all private fuel has been repaid to company then no fuel charge should apply.
Company car and fuel allowance	Fuel allowances paid to employees should go through payroll and be subject to tax and national insurance



<b>Privately owned cars</b>	
<b>Description</b>	<b>Treatment</b>
Pence per mile reimbursement for business mileage	As long as rates repaid are within those approved by the Isle of Man Government, the employee can be reimbursed directly for business mileage for their employer
Pence per mile reimbursement for business mileage using unapproved rates above those approved by Isle of Man Government	Reimbursements should be repaid through the payroll and subject to tax and national insurance
Fuel Card or Fuel Account	The employee should keep a record of both private and business miles during an appropriate tax year. The employer should complete a form T9 to indicate the total fuel provided to the employee and include details of the total mileage undertaken by the employee, plus the respective breakdown of the private and business miles within this figure. The Income Tax office will then calculate the private proportion of the fuel provided and charge it to tax accordingly. If the employee fails to keep a full record of private and business mileage during the tax year, then the office will look to charge the full amount of the fuel provided
Fuel allowance	Fuel allowances paid to employee's should go through payroll and be subject to tax and national insurance
Cash towards fuel	Cash paid to an employee in respect of fuel should be included in the employee's salary and subject to tax and national insurance.

## **16 I want to know my obligations as an Employer**

If you provide benefits to any of your employees, then you have certain obligations with regard to the recording and reporting of these benefits to the Income Tax Division.

An employer is required to;

- ensure that full and accurate records are maintained in respect of all benefits provided to employees (see Record Keeping Requirements below)
- complete a form T9 for every person who has a chargeable benefit in kind during a year
- complete a form T9 for every person who has received reimbursed expenses, where no dispensation has been agreed by the Income Tax Division
- provide one copy of this form to the employee concerned to submit with their personal income tax return
- submit a copy with the employers annual return (T37) on or before the due date of the return
- Employers are advised to retain one copy for their own records

If an employer fails to supply all forms T9, accurately and correctly completed, with their employer's annual return, the return can be deemed to be incomplete. The employer will then be subject to a late return penalty of £250, together with a further penalty of £50 per day for each day that the fully completed return form remains outstanding.

In addition, every employer must complete and retain all records and supporting documents required to enable them to submit a true, correct and complete return form, which includes the submission of a T9 for each employee who has been in receipt of benefits from their employer.

Employers should keep records of all benefits (including both chargeable and exempt) provided to employees, even if during the aggregation process the total value of benefits provided is below the £400 charging limit.

Supporting documents includes car log books, spreadsheets, invoices, receipts, dates and durations that cars were made available and travel diaries.

These records must be retained for three years after the end of the year to which the return relates and must be produced to the Income Tax Division upon request.

Failure to retain these documents or to produce them on request will result in a penalty of £250.

## **17 I want to know how to complete the benefit in kind form**

There are two options for an employer or tax practitioner when a benefit in kind form is required to be completed:

- manually complete form T9
- complete online T9, if registered for online tax employer services (further information about registering is available at [www.gov.im/incometax](http://www.gov.im/incometax)).

Both the manual and online versions of the form T9 mirror each other, to make completion of either format a similar process.

### 17.1 Online T9

When an employer completes an online employers annual return they first select the year available for submission and begin to complete the online front sheet T37.

Within this front sheet there is a button for users to select –“Complete T14’s and T9’s”. Once this has been selected it will bring up a list of employees who have worked for the employer within the tax year to which the return relates.

When the employer selects an employee to complete their online T14, they will see a tick box at the bottom of the form which asks whether any benefits in kind have been provided to the employee. By clicking in this box, a tick will appear which then gives the user access to complete an online benefit in kind form T9. The user is then given 5 categories to choose from to complete the form. These are Expenses; Living Accommodation; Meals; Cars and Other Vehicles; and Services; Assets Available and Pecuniary Liabilities.

The administrative details of the employees are already held by the system, so there is no need for the user to input these when completing the form using the online services system.

#### 17.1.1 Expenses

The employer includes details of any reimbursements of expenses, repaid to an employee.

**Nature of Expense** - the employer should use the drop down menus to select the nature of the expense provided to the employee.

**Gross Value** - the gross value of the expenses repaid should be input in the corresponding gross value box.

**Received Dispensation** - if the employer has received a dispensation for these expenses then they should click in the corresponding received dispensations tick box.

**With the exception of dispensations, I confirm that ITIP has been deducted from the above amounts and also that these figures have been included in the total pay box on form T14** - the employer should include a tick in the yes tick box if the reimbursements have been included within the employee’s salary and subject to tax deductions. If the expenses have been repaid gross, without any deduction then the employer should leave this box blank. If some of the expenses have gone through the payroll and some have not, then the employer should leave the tick box blank. It is very important for the employer to correctly fill out this section, as this will affect the way in which the Division processes this form.

**Is the benefit in kind charge to be met by the employer?**- if the employer is to meet the charge on behalf of the employee for the reimbursed expenses then the yes radio button should be selected. This should only apply in cases where an expense has been reimbursed to an employee, without it being subjected to ITIP through the payroll. The employer electing to take the charge on the employee’s behalf negates the raising of a tax charge on the individual employee.

#### 17.1.2 Living Accommodation

If accommodation has been provided to an employee the employer should complete this section of the benefit in kind form.

**Accommodation Type** - the employer should select from the drop down menu whether the accommodation is owned or rented by the employer.

**Are Other Services Provided?** - if heating, lighting, maintenance or repairs etc are paid for by the employer, the employer should select either yes or no from the drop down menu.

These should then be declared within the Services, Assets Available and Pecuniary Liabilities section of the form.

**Annual Value/ Rent** - the employer should input the value of the rents paid on the employee's behalf or the rental market value of the property provided.

**Paid by Employee** - if the employee has contributed towards the cost of the accommodation the employer should enter the amount contributed by the employee towards the cost of the accommodation within this box.

**Rates** - the employer should enter the gross value of rates paid on the employee's behalf.

**Paid by Employee** - if the employee has contributed towards the cost of the rates the employer should enter the amount contributed by the employee towards the rates within this box.

**Insurance** - this should be completed in the same manner as "Rates" above.

**Taxable** - the system automatically calculates the benefit in kind, by summing the gross value of the accommodation provided, including any rates and insurance, less any contribution made by the employee.

**Is the benefit in kind charge to be met by the employer?**- if the employer wishes to take the benefit in kind charge on behalf of the employee, then they should click on the Yes radio button.

### 17.1.3 Meals

If meals are provided to an employee the employer should complete this section of the online T9 form.

**Number of Days** - the employer should indicate the number of days breakfast, lunch and dinner have been provided in the corresponding boxes.

**Gross Value** - the employer should enter the gross value of the breakfast, lunch or dinners provided to the employee during the year.

**Paid by employee** - the employer should include any contributions made by the employee to the breakfast, lunch and dinners provided.

**Taxable** - the system automatically calculates the benefit in kind by summing the gross value of the meals provided, less any contribution made by the employee.

**Is the benefit in kind charge to be met by the employer?**- If the employer wishes to take the benefit in kind charge on behalf of the employee, then they should click on the Yes radio button.

### 17.1.4 Cars and Other Vehicles

The employer must enter the vehicle registration, c.c., and number of days the vehicle was available for private use.

**Gross Value** - the gross value of the benefit is automatically calculated and apportioned based on the cylinder capacity declared in the vehicle details field and the number of days the vehicle was available for private use.

**Paid by Employee** - the employer must enter any contributions made by the employee towards the use of the vehicle in this section. Contributions towards fuel are declared in the fuel section of the form.

**Taxable** - the system automatically calculates the benefit in kind by summing the gross value of the car provided, less any contribution made by the employee.

Contributions towards fuel should be indicated in the fuel details part of the car benefit in kind section and should not be taken into account when calculating the taxable value of the use of the vehicle.

If fuel has been provided to an employee with a company car, the employer should complete this section of the form.

**Has Fuel Been Provided?** - the employer should indicate whether fuel has been provided by placing a tick in the relevant yes or no tick box.

**Gross Value** - the gross value of the benefit is automatically calculated and apportioned based on the cylinder capacity declared in the vehicle details field and the number of days the vehicle was available for private use.

**All Private Fuel Repaid?** - employers should indicate whether all private fuel has been repaid by selecting the yes option from the drop down menu. If a partial contribution has been made towards the fuel provided by the employee, then they should chose the no option in the drop down menu.

If yes is chosen, the system will default the gross value of fuel provided to nil.

If no is chosen, the system will calculate the fuel charge based on the cylinder capacity of the vehicle and the number of days the vehicle is available for private use.

Employers are reminded that unless they can demonstrate that all of the fuel used for private mileage has been repaid by the employee, then the full scale charge for fuel based on the cylinder capacity of the vehicle would be due.

**Taxable** - This is automatically calculated for the user with reference to the gross value of the fuel provided, where the employer indicates that not all of the private fuel has been repaid to the employer.

If the employee has repaid all private fuel made available, then the taxable amount will be NIL.

Please do not include fuel benefits paid to employees who use their own private vehicles in this section. These should be included in the Services, Assets Available and Pecuniary Liabilities. If a cash sum or fuel allowance is provided to an employee for using a vehicle, these should be included within the payroll and subject to tax and national insurance.

If a vehicle has been transferred to an employee during the tax year, the employer should firstly include a tick in the tick box and indicate that this has occurred.

**Gross Value** - the employer should enter the market value of the vehicle at the date of transfer in the gross value box.

**Paid by Employee** - if a contribution has been paid by the employee towards the cost of the vehicle, this should be entered in the paid by the employee box.

**Taxable** - the system automatically calculates the benefit in kind by summing the gross value of the car transferred, less any contribution made by the employee.

**Is the benefit in kind charge to be met by the employer?**- if the employer wishes to take the benefit in kind charge on behalf of the employee, then they should place a tick in the Yes tick box.

### **17.1.5 Services, Assets Available and Pecuniary Liabilities**

If an employee has been provided with benefits other than accommodation, meals and cars then the employer should look to complete this section of the T9 form.

The system currently allows up to 9 entries on this section.

**Type** - the employer should use the drop down menu to select the type of service, asset or pecuniary liability paid for or provided to the employee.

**Gross Value** - the employer should enter the gross value of the service, asset or pecuniary liability paid for or provided to the employee.

**Paid by the Employee** - the employer should enter any contribution paid by the employee towards the service, asset or pecuniary liability paid for or provided to the employee.

**Taxable** - the system automatically calculates the benefit in kind by summing the gross value of the benefit provided, less any contribution made by the employee.

**Is the benefit in kind charge to be met by the employer?**- if the employer wishes to take the benefit in kind charge on behalf of the employee, then they should click on the Yes radio button. When calculating the transfer of an asset which has been subject to previous benefit in kind charges or when calculating the charge for the use of an asset the employer is expected to calculate the benefit amount prior to inputting on the manual T9 form.

The online T9 enables the employer to save or complete the form, depending on whether all the information is available at that time to fully complete the details required.

The save function allows the user to save the details they have entered on the T9 and come back at a later time to complete the form.

Once the user is happy that the T9 form is accurate and finalised, they can click on the complete button to complete the process.

In addition a "print to PDF" button enables the employer to print a PDF version of the form from the system to provide to the employee.

## 17.2 Manual T9

The information below provides some guidance to assist in correctly completing the manual form T9. Each section of the form is separately identified.

### 17.2.1 Expenses section

The employer includes details of any reimbursements of expenses repaid to an employee.

**Nature of Expense** - the employer should indicate the nature of the expense provided to the employee.

**Gross Value** - the gross value of the expenses repaid should be input in the corresponding gross value box.

**Received Dispensation** - if the employer has received a dispensation for these expenses then they should include a tick in the corresponding received dispensations tick box.

**With the exception of dispensations, I confirm ITIP has been deducted from the above amounts and also that these figures have been included in the total pay box on the form T14** - the employer should include a tick in the yes tick box if the reimbursements have been included within the employee's salary and subject to tax deductions. If the expenses have been repaid gross, without any deduction then the employer should leave this question blank. If some of the expenses have gone through the payroll and some have not, then the employer should leave the tick box blank. It is very important for the employer to correctly fill out this section, as this will affect the way in which the Division processes this form.

**Is the benefit in kind charge to be met by the employer?** - if the employer is to meet the charge on behalf of the employee, they should place a tick in the Yes tick box. This should only apply in cases where an expense has been reimbursed to an employee, without it being subjected to ITIP through the payroll. The employer electing to take the charge on the employee's behalf negates the raising of a tax charge on the individual employee.

### 17.2.2 Living Accommodation

If accommodation has been provided to an employee the employer should complete this section of the benefit in kind form.

**Owned by Employer / Rented by Employer** - firstly they should indicate whether the accommodation provided is owned or rented by the employer, by placing a tick in the appropriate box.

**Are Other Services Provided?** - if heating, lighting, maintenance or repairs etc. the employer firstly indicates either yes or no by placing a tick in the appropriate box.

These should then be declared within the Services, Assets Available and Pecuniary Liabilities section of the form.

**Annual Value/ Rent** - the employer should include in this box the value of the rents paid on the employee's behalf or the market value of the property provided.

**Paid by Employee** - if the employee has contributed towards the cost of the accommodation the user should enter the amount contributed by the employee towards the cost of the accommodation within this box.

**Rates** - the employer should enter the gross value of rates paid on the employee's behalf.

**Paid by Employee** - if the employee has contributed towards the cost of the rates the employer should enter the amount contributed by the employee towards the rates within this box.

**Insurance** - this should be completed in the same manner as "Rates" above.

**Taxable** - the employer should calculate the benefit in kind, by summing the gross value of the rent or accommodation provided, including rates and insurance, less any contribution made by the employee.

**Is the benefit in kind charge to be met by the employer?**- if the employer wishes to take the benefit in kind charge on behalf of the employee, then they should place a tick in the Yes tick box.

### 17.2.3 Meals

If meals are provided to an employee the employer should complete this section of the online T9 form.

**Number of Days** - the employer should indicate the number of days breakfast, lunch and dinner have been provided in the corresponding boxes.

**Gross Value** - the employer should include the gross value of the breakfast, lunch or dinners provided to the employee during the year.

**Paid by employee** - the employer should include any contributions made by the employee to the breakfast, lunch and dinners provided

**Taxable** - the employer should calculate the benefit in kind, by summing the gross value of the meals provided, less any contribution made by the employee.

**Is the benefit in kind charge to be met by the employer?**- if the employer wishes to take the benefit in kind charge on behalf of the employee, then they should place a tick in the Yes tick box.

### 17.2.4 Cars and Other Vehicles

If an employee has been provided with a company car, fuel for a company car or the transfer of ownership of a company car, then they should complete this section of the T9 form.

**Vehicle Details** - the employer must enter the vehicle registration, c.c., and number of days available

**Gross Value** - the gross value of the benefit is based on cylinder capacity of the vehicle provided.

In cases where the vehicle is not available for the full tax year the employer should apportion the value based on the number of days the vehicle was available for private use.



**Paid by Employee** - the employer should include contributions made by the employee towards the use of the vehicle in this section. Contributions towards fuel are declared in the fuel section of the form.

**Taxable** - the employer should calculate the benefit in kind, by summing the gross value of the car provided, less any contribution made by the employee.

If fuel has been provided to an employee with a company car, the employer should complete this section of the form.

**Has Fuel Been Provided?** - the employer should indicate whether fuel has been provided by placing a tick in the relevant yes or no tick box.

**All private fuel repaid?** - if a partial contribution has been made towards the fuel provided for the vehicle, the employer should indicate this by including a tick in the no tick box.

If the employer can demonstrate that all of the private fuel has been repaid then they should include a tick in the yes tick box.

Employers are reminded that unless they can demonstrate that all of the fuel used for private mileage has been repaid by the employee, then the full scale charge for fuel based on the c.c. of the vehicle would be due.

**Gross Value** - this is total value of the fuel made available to the employee with a company vehicle. This is calculated with reference to the c.c. of the car and the number of days the car was available to the employee for private use.

If the employer can demonstrate that all of the private fuel provided has been repaid then they should enter a zero in this field.

**Taxable** - this is calculated with reference to the gross value of the fuel provided. If the employee has made a contribution towards fuel, this should not be deducted from the gross value of fuel provided when calculating the taxable figure. Fuel is an all or nothing charge.

However, if the employer can prove that all of the private fuel has been reimbursed in full then no tax charge for fuel should arise.

Please do not include fuel benefits paid to employees who use their own private vehicles in this section. These should be included in the Services, Assets Available and Pecuniary Liabilities. If a cash sum or fuel allowance is provided to an employee for using a vehicle, these should be included within the payroll and subject to tax and national insurance.

If a vehicle has been transferred to an employee during the tax year, the employer should firstly include a tick in the tick box and indicate that this has occurred.

**Gross Value** - the employer should then indicate the market value of the vehicle at the date of transfer and enter this in the gross value box.

**Paid by Employee** - if a contribution has been paid by the employee towards the cost of the vehicle, this should be included within the paid by the employee box.

**Taxable** - the employer should calculate the taxable value of this transaction by deducting any contributions made by the employee towards the value of the car from the gross value of the car at transfer.

**Is the benefit in kind charge to be met by the employer?**- if the employer wishes to take the benefit in kind charge on behalf of the employee, then they should place a tick in the Yes tick box.

### **17.2.5 Services, Assets Available and Pecuniary Liabilities**

If an employee has been provided with benefits other than accommodation, meals and cars then the employer should look to complete this section of the T9 form.

**Type** - the employer should enter the relevant type of service, asset or pecuniary liability paid for or provided to the employee in the detail box.

**Gross Value** - the employer should then enter the gross value of the service, asset or pecuniary liability paid for or provided to the employee.

**Paid by Employee** - the employer should enter any contribution paid by the employee towards the service, asset or pecuniary liability paid for or provided to the employee.

**Taxable** - the employer should calculate the benefit in kind, by summing the gross value of the benefit provided, less any contribution made by the employee.

**Is the benefit in Kind Charge to be met by the employer?**- if the employer wishes to take the benefit in kind charge on behalf of the employee, then they should place a tick in the yes tick box

When calculating the transfer of an asset which has been subject to previous benefit in kind charges or when calculating the charge for the use of an asset the employer is expected to calculate the benefit amount prior to inputting on the manual T9 form.

Once completed three copies of the form should be taken.

- Copy 1 - To be maintained for the employers own records
- Copy 2 - To be included with the submission of the employer's annual return
- Copy 3 - To be given to the employee to include with their personal income tax form.

### **17.3 T9 in conjunction with electronic payroll package**

Employers who use electronic payroll software can submit their annual return online and attach the payroll file with the return, rather than manually send a disc. However, the online T9 cannot currently be completed in these cases and will therefore have to be completed manually, or a scanned image attached to the online return, in the same manner as the payroll file.

## **18 Contact Details**

General advice

Tel: (01624) 685400

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