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1.1 Introduction

This document is intended to provide only a summary of some of the tax rules relating to expenses and benefits. Some of the expenses and benefits referred to are not provided at the University. The rules in the Travel and Other Expenses, Benefits, Hospitality and Gifts Policy may be different to the tax rules and will take precedence over them.

1.1.1 Expenses

An expense is a cost incurred by an employee which is submitted to the university for reimbursement. An expense is subject to tax and national insurance unless:

1. the expense is incurred wholly, exclusively, and necessarily in the performance of the duties of the employment and
2. the employee was obliged to incur the cost and
3. the expense is not in relation to a salary sacrifice arrangement and
4. the employer has a process to check that the expenses were both incurred and not subject to tax.

There are specific reliefs for different expenses.

A BUFDG e-learning course about tax on Expenses, called Expenses in HE is available at this link.

1.1.2 Benefits in kind

1.4 Bank charges

1.5 Childcare vouchers

Exempt up to a maximum of £243 per month, provided employees joined the scheme by 4th October 2018.

1.6 Clothing

1.6.1 Uniforms

The provision of uniforms is exempt. Uniforms should show a University logo, and they should be worn only at work.

1.6.2 Protective clothing

The provision of protective clothing is exempt. It must be genuinely protective clothing that is worn as a matter of physical necessity because of the nature of the job. This will typically cover items such as overalls, protective gloves, and boots.

1.7 Company cars

This category includes cars that are leased under the My Car scheme.

If the employer provides an employee with a company car that is available for private use there is a benefit.

If private use is prohibited and there is no private use there is no benefit. But home to office journeys are private use.

If the employee is a homeworker, any travel from home to a client or to a temporary workplace would be considered business travel and there would be no benefit.

1.7.1 Pool cars

Pool cars are not available for private use, so no benefit arises from using a pool car. All of the following conditions must be satisfied for a car to be treated as a pool car.

1. Available to and used by more than one employee.
2. Availability to the employee must be by reason of their employment.
3. The car must not ordinarily be used by one employee to the exclusion of others.
4. Any private use must be merely incidental to its business use.
5.

Where private use is prohibited and there is no private use other than insignificant private use there is no benefit charge. Insignificant private use includes taking rubbish to the tip once or twice a year, regularly making a slight detour to drop a child at school, stopping at a newsagent on the way to work, or calling at the dentist on the way home. Use which is not insignificant includes doing supermarket shopping each week, taking the van on a

Where there is ordinary commuting, but the restricted private use condition is met there will still be a benefit, but the cash equivalent of the benefit is reduced to £nil, but it is necessary to report it on the P11D.

The restricted private use condition is met if:

1. the commuter use requirement is satisfied throughout the year (or the part of the year on which the van is available to the employee) or the extent to which it is not satisfied during that period is insignificant and

2. the business travel requirement is satisfied throughout the year (or the part of the year on which the van is available to the employee).

The commuter use requirement is satisfied at any time if:

1. the terms on which the van is available to the employee at the time prohibit its private use otherwise than for the purposes of ordinary commuting or travel between two places that is for practical purposes substantially ordinary commuting, and

2.
private use of the van at the time otherwise than for those purposes.

The business travel requirement is satisfied at a time if the van is available to the

(EIM22735).

In other words, the primary reason that the employee has the use of the van at all is because they need it for business travel in the normal course of their job. The business travel requirement is not satisfied if a person is allowed private use of a van which they do not primarily need and use for business travel.

The business travel requirement must be satisfied at all times in the year when the van is

A business journey is a trip made as part of work, for example, travelling to appointments or to a temporary workplace.

1.8.1 Pool van

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If employees are working at home due to covid-19 either because their workplace has closed or because they are following advice to self-isolate. Furloughed workers who are eligible for the Coronavirus Job Retention Scheme are not affected.

more than 50% of use must be work-related

the bicycle or equipment must not be transferred to the employee from the outset.

If the bicycle or equipment is transferred to the employee at the end of the scheme a taxable benefit arises on the fair market value.

1.13 Employee suggestion schemes

Awards may be exempt subject to certain conditions.

Encouragement awards for good suggestions are exempt up to £25.

Financial benefit awards for suggestions that will save or make an employer money are exempt up to £5,000, subject to other limits.

1.14 Entertaining

1.14.1 Business entertaining

Business entertaining is exempt.

There must be a genuine business reason to entertain. The entertainment may be of

duties. There does not have to be actual business done, but there does need to be a business requirement, e.g., to discuss a business project, or to maintain existing or new business contacts.

A record should be maintained of the amount spent on a particular occasion, the nature of the entertainment, the persons entertained, and the reasons for the entertainment.

It is necessary to consider the ratio of employees to non-employees attending. If the ratio is 50:50, it looks like staff entertaining.

1.14.2 Staff entertaining

In the circumstances listed below the cost of staff entertaining is exempt.

1.14.2.1 Annual parties

The cost of an annual event is exempt, provided that it meets the conditions below.

Benefits and Expenses Summary Tax Guide Finance-Specialist Accounting-Tax Team

Interest on loans which when combined are less than £10,000 throughout a tax year is exempt.

1.23 Long service awards

Where given in a form other than money, and subject to meeting other conditions, a long service award is exempt. The employee must have worked for the employer for at least 20 years. The award must be worth less than £50 per year of service. The employer must not have given the employer a long-service award in the last 10 years.

1.24 Mobile phones

1.24.3 Employee uses own phone and employer reimburses employee

If the employee uses her personal mobile phone for business calls and does not have to keep a record of these, and the employer reimburses the employee for the full cost of the bill, as the employer is reimbursing the cost of private calls, the reimbursement should be

If a record of the business calls is kept, the cost of the calls can be apportioned between business and private calls, with no tax payable on the business calls.

1.24.4 Employer pays for top-up vouchers for employee's pay as you go phone

The employer should report the vouchers at section C on the P11D.

1.25 Parking

The provision of parking spaces or payment of parking charges for parking for cars, motorcycles, or bicycles at or

The payment of parking charges for business journeys is exempt.

1.26 Pensions

Employer contributions into pension schemes that are registered with HMRC are exempt.

Employer provided pension advice is exempt, subject to certain conditions.

1.27 Personal bills for goods and services

If the employer pays the bill directly, report on form P11D. If the employer reimburses the employee, record the reimbursement through the payroll.

1.28 Professional subscriptions

Professional subscriptions paid to approved professional organisations are exempt.

1.29 Public Transport

Payments by an employer to help finance a bus route that gives employees free or reduced-rate transport between their homes and work or between workplaces are exempt.

Season ticket loans are covered by the rules relating to loans (see 1.22).

1.30 Relocation expenses

If all of the following conditions are met £8,000 of qualifying expenditure is exempt.

The employee is starting employment, changing their employment duties, or changing the location of their employment duties and

Business travel is not ordinary commuting, that is, travel between a permanent

1. where the employee has to attend a temporary workplace on a particular occasion to carry out the duties of the employment and
2. when travel or attendance is necessary.

The fact that it is easier for the employee or suits them better cannot be the factor that determines exemption. For example, if an employer allows an employee to work at the home of her aunt who is unwell so that the employee can look after her aunt, the cost of

objective requirement of the duties of her employment

1.33.3.2 Passing a permanent workplace on the way to a temporary workplace

If the employee does not stop at the permanent workplace the cost of the entire journey is exempt.

If the employee stops and performs substantive duties at the permanent workplace there are 2 journeys: from home to the permanent workplace, and from the permanent workplace to the temporary workplace. The cost of the second journey is exempt, but the first journey is ordinary commuting.

1.33.3.3 Temporary workplace definition

A workplace is temporary if an employee only goes there to perform a task of limited duration or for a temporary purpose, even if the employee attends regularly. Limited duration means an employee attends a workplace for a limited period of time to carry out a particular task or project.

A workplace is not temporary if the employee attends it in the course of a period of continuous work which lasts or is likely to last more than 24 months (or all or almost all of the time the employee holds the employment if shorter). Continuous work means that the employee spends 40% or more of their working time at that workplace.

So, if an employee has an end date for working at a workplace, and that end date is more than 24 months from the date they start working at the workplace, it is necessary to consider whether they will work at the workplace for more than 40% of their working time, in order to determine whether the workplace is temporary or permanent. If an employee works at a workplace for 1 day a week for 28 months, that workplace is temporary.

If attendance is expected to last 28 months, but after 12 months you know it will only last 20 months, you can treat the workplace as temporary from the date that you know attendance will be less than 24 months. If attendance is expected to last 10 months but after 6 months this is extended to 3 years the workplace will be treated as permanent from the point at which you know it will be more than 24 months.

An employee can attend a workplace regularly and perform duties there which are not of a limited duration without it becoming a permanent workplace, providing that each visit is for a temporary purpose where attendance is for a particular reason rather than part of a series of visits for continuation of a particular task. For example, where an employee carries out a safety check each week at another workplace, the jobs performed on each visit are self-contained, so the purpose of each visit considered alone is temporary. But, if an employee is regularly carrying out their full range of duties in another office and these are ongoing and continuous, attendance is not for a self-contained purpose, so the workplace is not a temporary workplace.

1.33.3.4 Furlough and temporary workplace

If an employee was furloughed when they were travelling to a temporary workplace, the period of furlough is part of continuous work. A period of working from home is also part of continuous work. The workplace stops being temporary from the date when attendance is expected to be more than 24 months.

1.33.3.5 Living accommodation temporary workplace

If an employee is working at a temporary workplace and their employer provides them with living accommodation owing to COVID-19, the cost is exempt, but the amount should be reported on the P11D, even if(n)-3( )8(th)-5(e)-3(y)10(we)6(re t)-4(rave)-4(ll)4(ing)-5(

1.33.10 Passenger payments

Exempt if paid to employees carrying passengers for business journeys using either their own car or van or a company car or van.

The maximum amount that is exempt is:

number of business miles travelled minus number of business miles where no passenger is carried x approved rate (currently 5 pence per mile).

1.33.11 Record keeping

Employers must ensure that adequate records are kept to demonstrate that payments satisfy the conditions for exemption. The employer should have a system in place to verify the accuracy of employee records and should keep records of date and reason for the journey, the starting point and destination, the miles travelled, and the amount of mileage allowance payments -3(stin)6ts 9fia

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If a travel card is provided to enable an employee to travel primarily for private purposes, the cost is a benefit.

If a travel card is provided for business travel but the employee also uses it for private journeys, the value of the benefit is calculated as the cost of the travel card minus the real or notional costs of the business journeys that the card is used for. If the value is less than nil there is no benefit.

1.34