

Non-taxable payments or benefits for employees

i **Contacts**

Please phone:

- the number printed on page TR 1 of your tax return
 - the SA Helpline on **0845 9000 444**
 - the SA Orderline on **0845 9000 404** for helpsheets
- or go to hmrc.gov.uk/sa

Expenses payments and benefits you get are not always shown on your P11D. This may be because they are covered by:

- a dispensation (an arrangement your employer may have with us to save you the trouble of including a benefit or expense payment that you get and then having to make a matching claim for the allowable expenses you incur)
- a PAYE settlement agreement (where your employer settles your Income Tax liability on certain benefits in kind and expenses payments)
- a statutory exemption or an Extra-Statutory Concession.

You can find more details about Extra-Statutory Concessions at hmrc.gov.uk/specialist/esc.pdf

You do not have to pay tax on benefits and expenses covered by concessions or exemptions. If the concessions or exemptions apply to you, do not enter the benefits and expenses concerned on your tax return.

Brief details of the most common exemptions and concessions follow.

Accommodation, supplies and services on your employer's business premises

Accommodation, supplies and services (for example, ordinary office accommodation, and equipment, phones, typists, messengers, stationery) provided to you on your employer's business premises and used by you in performing your duties, provided that if there is any occasional private use of the items by you it is not significant.

Supplies and services provided to you other than on your employer's premises

Supplies and services (for example, work equipment to use at home, stationery and consumables) provided to you to perform your duties, provided that if there is an occasional private use of the items by you it is not significant. This exemption does not apply to motor vehicles, boats or aircraft, or any extension or conversion of living accommodation or similar building work.

If you are a disabled employee and your employer provided you with special equipment to help you to work, such as a wheelchair or hearing aid, this exemption applied even if your private use of the equipment was significant because it was also used outside work.

Free or subsidised meals

Free or subsidised meals provided on your employer's business premises, or in any canteen where meals are provided for staff generally, or a ticket or token used to get such meals, if:

- the meals are provided on a reasonable scale, and either
- all employees can get free or subsidised meals on a reasonable scale, whether on your employer's premises or elsewhere, or
- your employer provides free or subsidised meal vouchers for staff who do not get meals.

This exemption does not apply, in the case of hotel, catering or similar business, to free or subsidised meals provided for you in a restaurant or dining room at a time when meals are being served to the public, unless part of it is designated as being for the use of staff only and you take your meals in that part. Nor does the exemption apply where free or subsidised meals are provided as part of salary sacrifice or flexible remuneration arrangements.

Meal vouchers

Meal vouchers issued to you provided that:

- the vouchers are non-transferable, and
- they are used for meals only, and
- the value of vouchers issued to you does not exceed 15p for each working day, and
- where any restriction is placed on their issue, they must be available to lower-paid staff.

You pay tax on the value of any voucher or part of a voucher not meeting these conditions.

Expenses of providing a pension

Expenses incurred providing any pension, annuity, lump sum, gratuity, or similar benefit to be given to you or to any member of your family or household on your retirement or death may not be shown on form P11D, either because they are exempt or because they are entered elsewhere.

Medical treatment abroad

The cost of necessary medical treatment abroad paid for by your employer, or paid by you and reimbursed to you by your employer, where you fall ill or suffer injury while away from the United Kingdom in the performance of your duties. The cost of providing insurance for you against the cost of such treatment is also non-taxable.

Health screening and medical check-ups

Expenses incurred in providing you with a maximum of one health screening assessment and one medical check-up in any year.

'Health screening assessment' means an assessment to identify employees who might be at particular risk of ill-health.

'Medical check-up' means a physical examination of the employee by a health professional for (and only for) determining the employee's state of health. This exemption does not cover medical treatment.

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Nurseries and playschemes

Places in nurseries or playschemes on premises made available by your employer or, if your employer runs the nursery jointly with others, on premises made available by one or more of those others, provided that your employer participates in managing and financing the provision of care.

Childcare vouchers

Qualifying childcare vouchers up to the appropriate amount for a week are not taxed. If you receive more than the appropriate amount for a week in childcare vouchers, the excess over the appropriate amount is taxable and you should include it on your tax return. If your employer has given you childcare vouchers with a value greater than the appropriate amount, your employer will enter only the taxable amount on your P11D. Read the notes on box 12 in your *Employment notes*. You can find more information on qualifying childcare vouchers, including how the appropriate amount is calculated, at hmrc.gov.uk/manuals/eimanual/EIM16050.htm

Other employer supported childcare

If your employer contracts directly with a commercial nursery to provide qualifying childcare for a child for whom you have parental responsibility, the appropriate amount for a week is not taxed. If the cost incurred by your employer is greater than the appropriate amount for a week, the excess over the appropriate amount is taxable and you should include it on your tax return. If your employer provided directly contracted childcare for your benefit at a cost greater than the appropriate amount, your employer will enter only the taxable amount on your P11D. Read the notes on box 12 in your *Employment notes*. You can find more information on directly contracted childcare, including how the appropriate amount is calculated, at hmrc.gov.uk/manuals/eimanual/EIM22010.htm

Certain living accommodation

The cost of living accommodation provided for you if:

- it is necessary for the proper performance of your duties that you reside in the accommodation*, or
- the accommodation is provided so that you can perform your duties in a materially better way, and you are in the kind of employment in which it is customary for employers in that business to provide accommodation*, or
- there is a threat to your security and special security arrangements are in force and you reside in the accommodation as part of those arrangements.

If your living accommodation is exempt, any Council Tax your employer pays on your behalf or reimburses to you, will also be exempt.

*If you are a company director and the company, or an associated company, provides you with accommodation, you can only seek exemption in these circumstances if:

- you have no material interest in the company, and
- either you are a full-time working director, or the company is non-profit making, or is a charity.

You can find more details at Chapter 21 'Provision of living accommodation' in booklet 480 *Expenses and benefits - A tax guide*. Go to hmrc.gov.uk/guidance/480.pdf

Payments by your employer towards additional household costs where you work at home

Payments made to you by your employer for your reasonable additional household costs if you work at home regularly, are exempt from tax and you do not need to enter them on your tax return. You need to work at home by agreement with your employer instead of working on their premises. The exemption does not apply if you simply take additional work home in the evenings. Your employer may pay you up to £4 a week without you needing to keep supporting evidence of the cost. They can pay more where your costs are greater, provided you keep supporting evidence to show that the payment is wholly for additional household expenses incurred in working at home or where your employer has agreed a figure with us.

Incidental overnight expenses

Payments that your employer makes for personal expenditure, up to certain limits, when you stay away from home for at least one night during a business journey. The maximum amounts that may be paid without any tax consequences are:

- £5 a night for each night away during business journeys anywhere in the UK (Great Britain and Northern Ireland)
- £10 a night for each night away during business journeys outside the UK.

If the maximum for a business journey as a whole is exceeded, the full amount paid for that journey is taxable.

Travelling expenses of directors

- Journeys that qualify as business journeys are described on page EN 7 of the *Employment notes*.
- Travel expenses paid to a director who gives their services without remuneration to a company not managed with a view to dividends.
- Reasonable travel expenses paid to a director by the company where the directorship is held as part of a professional practice, provided no claim is made for a deduction for that expenditure by the practice.
- Where a director's spouse or partner accompanies the director on a business trip abroad because the director's health is so precarious that the director could not undertake the foreign travel alone, the expenses borne by the employer for the spouse's or partner's travel on that journey. The same principle applies to employees as it does for directors.

In all cases, travel expenses include reasonable hotel expenses necessarily incurred.

Travelling expenses of group company employees

Where an employee has employments with two or more companies that are part of the same group of companies, any journey made between the places at which the duties of those employments are carried out is a business journey.

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Travelling and subsistence expenses following strike disruption

Reasonable expenses reimbursed to you, or paid on your behalf, if, because of dislocation of public transport by strikes or other industrial action, you:

- stay overnight in hotel or other accommodation, or
- incur extra costs in travelling to and from work.

Disabled people's cost of travel between home and work

Assistance with the cost of travelling between home and work, or to and from a place where work related training is provided (including the reimbursement of travel expenses), given to people with a substantial and long term disability.

In addition, a car provided for these purposes is not taxed if:

- you are disabled, and
- the car has been adapted to the needs of your disability (or, if you are unable to drive a car with manual transmission, is equipped with automatic transmission), and
- other private use by you or anyone else is prohibited, and
- there is no other private use of the car.

Certain retraining costs

Costs met by your employer for you if you are about to leave your employment, or have left within the previous year, to allow you to attend certain courses of retraining intended to help you get another job. If you have not left by the time you start the course, you must leave within two years of finishing it for the exemption to apply. The exemption is withdrawn if you are re-employed by the same employer in the two years following the end of the course. (The employer must tell us within 60 days of this happening.)

Exemption is only available if you have been employed by your employer for at least two years up to the time you begin the course (or at the time the employment ceased).

Courses must:

- teach or improve skills which will help you to find new work (and be entirely devoted to those objectives), and
- last no more than two years.

The opportunity to attend courses must have been given to all employees in a similar position.

Exempt expenses are:

- fees for the course
- fees for examinations taken during or at the end of the course
- the cost of essential books
- the full cost of travelling to attend the course, plus related subsistence expenses.

Employer-funded or employer-reimbursed training

This exemption covers the costs borne by your employer of work-related training within the whole range of practical or theoretical skills and competences you are reasonably likely to need in your present or likely future jobs with your employer. The exemption extends to:

- training activities such as first aid and health and safety in the workplace
- employee development schemes
- activities intended to develop skills you need in leadership and teamwork, for example, Raleigh International
- training which is provided by a third party rather than your employer.

All the ways in which training can be delivered are covered, including full-time and part-time training, internal training courses run by your employer, courses which are run externally or by a third party, and courses which comprise any mixture of these.

The tax exemption also covers:

- travel and subsistence expenses, to the same extent as if you were undertaking employment duties while training
- other incidental costs, such as additional childcare expenses directly related to you undertaking the training in question
- costs which relate to examinations and registration of qualifications
- the costs of multi-media and distance learning aids, practical course materials and books.

Training, or training-related travel and subsistence, which is provided as entertainment, recreation, reward or an inducement, remains taxable.

Any asset provided to you or for your use is also taxable unless the asset is provided or used purely for training, or for training coupled only with use in the performance of the duties of your office or employment.

Assets provided for private use remain chargeable in the normal way.

Long service awards

Long service awards made to directors and employees as testimonials to mark long service where the service is not less than 20 years and no similar award has been made within the previous 10 years. These have to be:

- tangible articles of reasonable cost, or
- shares in an employing company (or another company in the same group).

The cost of an article is taken as reasonable where it does not exceed £50 for each year of service.

Suggestion schemes

Awards made to you under a suggestion scheme where the following conditions are met.

- Your employer's scheme is open on the same terms to
 - all their employees, or
 - a particular category of them, for example, a scheme which is open to all employees in a particular geographical area will satisfy this condition.

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- The suggestion must relate to the activities carried on by your employer.
- The suggestion for which the award is made is outside the scope of your normal duties. The test is that, taking account of your experience, you could not reasonably have been expected to put forward such a suggestion as part of the duties of your post.
- The suggestion was not made at a meeting held for the purpose of proposing suggestions.

The exemption applies to two types of awards for suggestions; encouragement awards and financial benefit awards.

Encouragement awards

An encouragement award is one that is made for a suggestion which has some special merit or reflects praiseworthy effort on the part of the person making the suggestion. The permitted maximum for an encouragement award is £25. If the encouragement award exceeds £25 the excess over £25 is taxable.

Financial benefit awards

There are additional conditions which apply to financial awards.

- Awards are only made following a decision to implement the suggestion.
- The decision to make an award is based on the degree of improvement in efficiency or effectiveness likely to be achieved. This is measured by
 - the prospective financial benefits and the period over which they would accrue, and
 - the importance of the subject matter having regard to the nature of the employer's business.
- The amount of the award does not exceed
 - 50% of the expected net financial benefit during the first year of implementation, or
 - 10% of the expected net financial benefit over a period of up to five years subject, in each case, to an overriding maximum of £5,000.Where an award exceeds £5,000, the excess over that figure is taxable.

If two or more employees receive an award for the same suggestion, the exempt amount is divided between them in the same proportion as their individual awards bear to the total sum awarded.

Goodwill entertainment

Providing goodwill entertainment for an employee, or for a member of the employee's family or household, provided that:

- the person providing the entertainment is neither the employer, nor a person connected with the employer, and
- neither the employer nor a person connected with the employer has directly or indirectly procured the provision of the entertainment, and
- the entertainment is not provided either in recognition of particular services which the employee has performed in the course of their employment or in anticipation of particular services which are to be performed by the employee in the course of their employment.

This exemption applies only when the cost of the entertainment is taxable under Section 87 (vouchers), Section 94 (credit tokens) or Section 201 (benefits in kind). It does not extend to liability under Section 62 (earnings) or Section 72 (taxable expenses payments). The Section numbers mentioned here refer to the Income Tax (Employments and Pensions) Act 2003.

Car, motorcycle and bicycle parking

The provision of car or motorcycle parking space, or facilities for parking bicycles, at or near the employee's place of work.

Certain gifts

Certain gifts from third parties if all these conditions are satisfied:

- the gift consists of goods or a voucher or token only capable of being used to obtain goods, and
- the person making the gift is not your employer or a person connected with your employer, and
- the gift is not made either in recognition of the performance of particular services in the course of your employment or in anticipation of particular services which are to be performed, and
- the gift has not been directly or indirectly procured by your employer or by a person connected with your employer, and
- the gift cost the donor £250 or less, and
- the total cost of all gifts made by the same donor to you, or to members of your family or household, during the tax year is £250 or less.

Some other gifts are not taxable. If you earn at a rate of less than £8,500 a year and you are not a director, a gift to mark a personal occasion, such as a wedding present, which is not a reward of your employment, is not taxable. If you earn at a rate of £8,500 a year or more, or you are a director, any gift from your employer is taxable unless your employer is an individual and makes the gift in the course of family, domestic or personal relationships.

Work to home travel provided when you work late or when sharing arrangements are disrupted

The cost of transport (for up to 60 journeys in the year) your employer provides to take you home if:

- you are occasionally required to work later than usual (and until 9pm or later) but those occasions are irregular, and
- by the time you can go home, either public transport between your place of work and home has ceased, or it would not be reasonable in the circumstances for your employer to expect you to use it, or
- you normally travel to and from work in a car shared with other employees, and
- you cannot get home in the shared car because of unforeseen circumstances which could not reasonably have been anticipated.

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Work buses and subsidies to public buses

The benefit of travel between home and work in a work's bus or minibus provided that:

- the bus or minibus has a seating capacity of nine or more
- the bus is available to all employees
- substantially the whole use of the service is by employees (and their children).

Or if your employer pays a subsidy to a public bus service and in return you receive the benefit of an enhanced service on that route and/or you travel at reduced cost or no cost on that route, provided that the service on that route is available to all employees.

Christmas or other annual party

Annual parties or alternative functions of a similar nature, such as a Christmas dinner and a summer party, which are open to staff generally and which cost no more than £150 a head in total to provide.

Sports facilities

Sports facilities generally available to all employees and members of their families and households. This does not apply to facilities:

- available to the general public, or
- consisting of, or provided in association with, overnight or holiday accommodation, or
- provided on domestic premises, or
- consisting of mechanically propelled vehicles or vessels such as cars, motorboats and aeroplanes.

Travelling from offshore rigs to the mainland

Travelling facilities provided between the mainland and offshore oil or gas rigs or platforms. Where the timing of transport between the mainland and the rig make it necessary for employees to take overnight accommodation near the mainland departure point, subsistence expenses borne on behalf of or reimbursed to employees working on offshore oil or gas rigs or platforms.

Working Rule Agreements

Certain elements of travelling and subsistence allowances paid under Working Rule Agreements to some employees in the construction and allied industries are paid free of tax under an agreement with HMRC. Any allowances or part of allowances covered by this agreement will not be shown on the P11D (or the information your employer provides) and you should not include them on your tax return.

Counselling

Most counselling services provided in connection with termination of employment are exempt from tax. There are detailed conditions. Ask us or your tax adviser for more information.

Welfare counselling

Welfare counselling made available to all employees generally on similar terms is exempt from tax. For this purpose, welfare counselling does not include:

- any medical treatment
- advice on finance or tax (other than debt counselling)
- advice on leisure or recreation
- legal advice.

Mobile phones

One mobile phone provided by your employer and any line rental for and calls with that phone paid directly by your employer. Money your employer pays you to use your own mobile phone is taxable. A mobile phone provided to a member of an employee's family or household is taxable.

Bicycles and cycling safety equipment

The benefit of a bicycle and/or cyclist's safety equipment (or a voucher to obtain these) lent to you, provided that:

- such bicycles and equipment are available generally to employees of your employer, and
- your main use of the bicycle is for journeys between home and work or between workplaces.

The benefit of a meal or refreshments provided to you after you cycled to work on a day designated by your employer as a 'cycle to work' day.

Loans for a purpose that attracts tax relief in full

An interest-free or low-interest loan made to you by reason of your employment, provided that any interest which is payable on the loan, or would be payable if the loan were interest bearing, attracts tax relief in full. Loans which attract tax relief include:

- qualifying loans – see the note for box 5 of the 'Other tax reliefs' section on page AiN 20 of the *Additional information notes*
- loans on which any interest is deductible in computing the profits of a UK trade, profession or vocation or property letting business.

If an interest-free or low-interest loan attracts only partial tax relief on the interest – for example, a loan to buy a car you use to perform your duties – it is not exempt from tax. Enter the cash equivalent of the loan in box 15 in the *Employment* page and claim any relief due in box 5 of the 'Other tax reliefs' section on page Ai 2 of the *Additional information* pages, or in computing the profits of the trade, etc. in question.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any rights of appeal. Any subsequent amendments to these notes can be found at [hmrc.gov.uk/selfassessmentforms](https://www.hmrc.gov.uk/selfassessmentforms)