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Ten tax-free benefits in kind (July 2016)

It is possible to provide employees with tax-free benefits where the benefit is covered by an exemption and the associated conditions are met. The following is a list of popular benefits in kind that can be provided free of tax and National Insurance.

1. Mobile phones – employers can provide employees with one mobile phone (which may be a smartphone) tax-free and meet the associated call charges, etc. However, to qualify, the contract must be between the employer and the mobile phone company – the exemption does not apply if the contract is between the employee and the phone company and the employer simply pays the bill or reimburses the employee.
2. Christmas parties – employees and their partners are able to enjoy Christmas parties or similar annual functions without triggering a benefits in kind tax charge, as long as the cost per head is not more than £150.
3. Childcare vouchers – employers can provide employees with childcare vouchers or employer-supported childcare up to a tax-free limit. Where the employee joined the childcare scheme before 6 April 2011 or is a basic rate taxpayer, the limit is £55 per week. Otherwise, the limit is £28 per week for higher rate taxpayers or £25 per week for additional rate taxpayers.
4. Parking at or near the place of work – parking costs can be significant and employees can enjoy a parking space at or near the place of work.
5. Mileage allowance payments – employees who use their own car for work can receive tax-free mileage payments up to the approved amount. This is 45p per mile for the first 10,000 business miles in the year and 25p for all subsequent business miles.
6. Removal expenses and benefits – employees who move house as a result of a job change can get tax-free help with the cost of qualifying removal benefits and expenses up to a total of £8,000.
7. Sports facilities – no tax charge arises where an employer provides sports facilities for use by staff, such as a company gym. However, the exemption does not apply if the employer pays for employees to use sports facilities open to the general public.
8. Trivial benefits – no tax charge arises on the provision of trivial benefits costing up to £50. However, where the benefits are provided to a director of a close company, the exemption is capped at £300 a year.
9. Small loans – employees can enjoy cheap or interest-free loans from their employer tax-free, as long as the outstanding balance does not exceed £10,000 at any point in the tax year.
10. Cycles and cycling safety equipment – employees who cycle to work can enjoy the use of a company bike and helmet, etc. tax-free, as long as they predominantly use the bike to cycle to work or for business journeys.

Practical tip

While salary sacrifice arrangements can be used to take advantage of most benefits in the above list, with the exception of trivial benefits, HMRC are looking closely at salary sacrifice arrangements and this window of opportunity may be limited.

Partner note: ITEPA 2003, Pt. 4.