

## Basis of Employment Income Assessment

Employment income is taxed on the earlier of entitlement or receipt. For directors, the date recorded in company records also counts.

## Approved HMRC Mileage Rates (own vehicle)

**First Year 10,000 miles/year**      Cars/vans 45p, motorcycles 24p, bicycles 20p.

**Over 10,000 miles**      Cars/vans 25p, motorcycles 24p, bicycles 20p.

*Exceeding these rates is taxed as a benefit; below is deductible.*

## Travel to and from Work

Travel to work is usually not an allowed expense. **Exceptions include:**

- No fixed office (on-site workers).
- Business trips starting from home.
- Temporary secondment (max 24 months). Subsistence costs are also allowed in these cases.

## Benefits in Kind (BIK)

**BIK** are non-cash benefits provided by employers.

*The taxable amount is generally the additional cost to the employer for providing the benefit.*

**Special rules** apply to:

- Living accommodation.
- Loaned assets.
- Services related to accommodation.
- Cars and fuel for private use.
- Vans for private use.
- Beneficial loans.

*If the employee pays the same price as the public (a 'fair bargain'), the benefit is not taxable.*

## Tax Year

6th April to 5th April.

## Deductible Expenses

### Deductible expenses (or company-paid and tax-free):

- Travel to clients (not commuting).
- Meals when working away.
- Professional memberships.

*It must be wholly for work purposes.*

### Expenses not taxed if wholly, exclusively, and necessarily for work duties include:

- Meal allowance (£5-£25/day).
- Professional subscriptions.
- Pension contributions.
- Payroll charity donations.
- Travel/subsistence.
- Client entertainment (if employee pays).

*Must be directly tied to employment duties.*

## Entertaining Clients

Client entertainment is **not** usually allowable. However, if **reimbursed** or given an entertainment allowance, it's tax-deductible for the employee (*different rules apply to the company*).

## PAYE System - Pay As You Earn

Deducts tax (20% / 40% / 45%) and National Insurance (c8%) from pay before you receive it.

Employers calculate and pay these to **HMRC**. Applies to all employment income (wages, bonuses, benefits), factored into your tax code.

## What comes under Employment Income?

- Salary, wages, bonuses, commissions, fees.
- Expense allowances, pensions from employment.
- Benefits in kind, termination payments.
- Jobseeker's allowance, statutory maternity/paternity pay.
- Waiters' tips.

## Non-taxable Employment Income

*Exempt from tax.*

- Trivial benefits (typically £50 or less).
- Free/subsidised staff canteen.
- Workplace parking.
- Contributions to home-working costs.
- Approved mileage allowances.
- Incidental overnight expenses.
- Reasonable personal gifts (e.g., wedding gifts).
- Work-related training (up to £15,480).
- One mobile phone.
- Job-related accommodation.
- Employer pension contributions.
- Employee parties (up to £150 per head; exceeding this makes the entire amount taxable).

## Trivial Benefits in Kind

Trivial Benefits in Kind are **exempt** if they:

- Cost **less than £50**,
- Are **not cash** or cash-convertible vouchers,
- Are **not rewards** for employment.

Directors of close companies have a **£300** annual limit. If the benefit exceeds **£50**, the entire amount becomes taxable.

