

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

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