

Employment matters

(Lecture B1061 – 15.23 minutes)

Car benefits

Where a car is made available to an employee by reason of his employment, the income tax charge is based on a percentage of the car's list price, graduated according to the level of the car's CO₂ emissions measured in grams per kilometre (g/km).

For 2018/19, the table of percentages reads as follows:

<u>CO₂ emissions in g/km</u>	<u>%</u>
0 – 50	13%
51 – 75	16%
76 – 94	19%
95 – 99	20%
100 – 104	21%
105 – 109	22%
110 – 114	23%
115 – 119	24%
120 – 124	25%
125 – 129	26%
130 – 134	27%
135 – 139	28%
140 – 144	29%
145 – 149	30%
150 – 154	31%
155 – 159	32%
160 – 164	33%
165 – 169	34%
170 – 174	35%
175 – 179	36%
180 or over	37%

Diesel cars

The 3% diesel supplement is being increased to 4% with effect from 6 April 2018 by CI 9 F(No2)B 2017. However, following the introduction of a new standard (RDE2) for nitrogen oxide emissions, diesel cars registered on or after 1 September 2017, which are certified to meet the relevant RDE2 criteria, are not subject to any diesel supplement.

It is still the case that the 4% supplement cannot take the overall charge for a diesel car beyond 37%.

Car fuel benefits

Under the car fuel regime introduced by FA 2002, where employees have private fuel paid for by their employer, the same percentage which applies to the car's list price for car benefit purposes is also applied to a statutory fuel figure known as a 'multiplier'. For 2018/19, this figure has risen by £800 to £23,400 (SI 2017/1176).

Deductions from seafarers' earnings

By virtue of Ss378 – 385 ITEPA 2003, a 100% deduction is available against the relevant part of the earnings from a seafarer's employment where his duties are performed wholly or partly outside the UK during the course of an 'eligible period'. The term 'eligible period' means a period of at least 365 days which is either a period of consecutive days of absence from the UK or a 'combined period'. A 'combined period' is a period:

- in which at least half of the days are days of absence from the UK; and
- which consists of three consecutive periods (A, B and C) where:

A is a period of consecutive days of absence from the UK;

B is a period of not more than 183 days; and

C is a period of consecutive days of absence from the UK.

A seafarer's duties are treated as performed outside the UK if they are performed on a voyage which begins or ends outside the UK (but excluding any part of the voyage starting or finishing within the UK).

Cl 7 F(No2)B 2017, which will have effect from the date of Royal Assent, extends this 100% relief to employees of the Royal Fleet Auxiliary. The Royal Fleet Auxiliary is a civilian-manned fleet owned by the Ministry of Defence that provides logistical support to the Royal Navy. Employment in the Royal Fleet Auxiliary counts as Crown employment and Crown employees are specifically precluded from obtaining the seafarers' earnings deduction (SED).

Hitherto, employees of the Royal Fleet Auxiliary have been permitted to claim the SED on a concessionary basis, but the Government have sensibly decided to put the relief onto a proper statutory footing in order to give certainty to employees of the Royal Fleet Auxiliary.

Termination payments – foreign service relief

In the past, employees who received termination payments where they have spent all or a substantial part of their employment overseas have been eligible to qualify for what is known as 'foreign service relief'. This could potentially give them income tax relief of an amount greater than the standard £30,000 deduction. Indeed, in some cases, the payment would be completely exempt from income tax.

The Government believe that foreign service relief has now become, as they put it, 'outdated and unnecessary'. They have therefore decided that those who have worked abroad but are resident in the UK in the tax year in which their employment is terminated should be subject to exactly the same rules as those who have not been abroad (Cl 10 F(No2)B 2017). Such individuals will benefit from the existing £30,000 exemption, but nothing further.

The measure will apply to those who have their employment contract terminated on or after 6 April 2018. This is the case even if the payment is received from 14 September 2017 onwards in advance of the termination of the employment.

Those who are non-UK resident when their employment is terminated are not liable to income tax on any termination payments which they receive.

Contributed by Robert Jamieson