

## **A new benefit in kind exemption (Lecture B1071 – 5.47 minutes)**

In his Budget on 22 November 2017, the Chancellor announced that, with effect from 6 April 2018, there will be no benefit in kind tax charge on electricity which employers provide for the purpose of charging employees' own electric vehicles. Surprisingly, this new exemption was not part of F(No2)B 2017.

It is understood that HMRC have confirmed to the Association of Taxation Technicians (ATT) that the Government's intention is to include the relief in the next Finance Bill which will be published towards the end of 2018. The legislation will therefore be retrospective.

In response, the ATT said:

'The delay in legislating for this exemption puts both employers and employees in an uncertain position because it will come into force before they see any of the details. It would be a pity if this initiative to increase the use of electric cars falls flat because some employers are unaware of how to apply it or promote it due to a lack of information. There is also the risk that employers and employees may not be aware of this initiative, which means it does not get used.'

As a result, they are urging HMRC to provide guidance on the exemption as soon as possible so that all parties can have certainty over the tax treatment of employer-provided charging from the start of 2018/19. This, they requested, should include a commitment to an effective date of 6 April 2018, together with details of any potential exclusions or conditions.

ATT went on to comment:

'Providing early clarification could accelerate employers' plans to install charging facilities and employees' (plans in) choosing to purchase electric vehicles.'

*Contributed by Robert Jamieson*

**NOTE: Since recording HMRC has published draft guidance which includes updates to the Employment Income Manual for the changes expected to be made to the Income Tax (Earnings and Pensions) Act 2003 by Finance Bill 2019.**

The exemption applies to charging facilities for all-electric and plug-in hybrid cars and vans and covers the cost of electricity, the cost to the employer of providing the charging facilities and any connected services.

The exemption does not apply to the reimbursement or payment of an employee's personal expenditure in respect of electric charging away from the employer's premises, for example at a motorway service station or at home.

Where an employer reimburses an employee's electricity costs for charging the vehicle other than on the employer's premises and the electricity is then used on a business journey, the employee may be entitled to Approved Mileage Allowance Payments (AMAPs) or Mileage Allowance Relief (MAR) (see EIM31205 ).

Electricity must be provided through a dedicated charging point for charging all-electric or plug-in hybrid vehicles and specifically designed for this purpose.

To be eligible for the exemption charging must be available to either all the employer's employees generally or to all the employer's employees generally at a particular location and the employee must be either the driver or a passenger.

The benefit will remain taxable if it's offered in conjunction with an optional remuneration arrangement. The exemption is a relevant exemption as defined in s228A(1)-(3) ITEPA 2003 ( EIM44131 ).

#### *Example*

Mr and Mrs X work for different employers in a similar location and so take turns to drive each other to work. Mr X's employer spends £6,000 to install charging points in their office car park.

Mrs X's employer does not provide charging points at her workplace. When Mr X makes use of the charging facilities at his office's car park, the benefit of the electricity used, the use of the charging point and any connected services are exempt.

On days when Mrs X drives them both, the car is parked at Mr X's office. The use of the charging facilities remains exempt as Mr X is a passenger.

[https://www.gov.uk/government/consultations/draft-guidance-reform-to-workplace-charging-tax-exemptions?utm\\_source=84787024-135c-4f8e-b784-88954b11495b&utm\\_medium=email&utm\\_campaign=govuk-notifications&utm\\_content=immediate](https://www.gov.uk/government/consultations/draft-guidance-reform-to-workplace-charging-tax-exemptions?utm_source=84787024-135c-4f8e-b784-88954b11495b&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate)