



Personnel Sub- Committee – 27 November 2012

Changes to Tax Treatment of Members' ICT Allowances

Purpose of report:

This report is to update Members on the proposed future tax treatment of Members' ICT allowances and equipment.

Attachment(s)

None

1.0 Background

- 1.1 Access to ICT equipment is currently deemed to be necessary for both the efficient communication between the council and the councillor and for the discharge of the councillor's functions to residents etc. Historically this council has offered councillors a choice of either using council supplied equipment or an allowance in order to access the council's ICT services. The choice avoids councillors with existing suitable equipment from having to accommodate additional equipment. As an alternative to the allowance, particularly for those councillors less confident in ICT use, a lap-top and printer can be supplied and maintained by the council.
- 1.2 When a councillor opts for the allowance, up to £250 per year can be claimed for each of the four years of their term of office. A further allowance of up to £24 per month may be claimed on production of receipts, for broadband charges. The council has been advised that it is not possible to restrict claiming of the allowance by dual hatted county and district councillors but the allowance for broadband charges is restricted to one claim per councillor household.
- 1.3 In 2011/12 17 councillors chose the ICT equipment allowance whilst 22 Councillors have a council supplied lap-top, 18 of whom also have a council supplied printer. One councillor did not take up either option.
- 1.4 Historically payment of the ICT allowance has been taxed at source as part of PAYE processes whilst the payment of the broadband allowance has been declared as part of the P9D or P11D returns made by the council each year for all councillors. (P11D applies when the total payments made by the council exceed the single persons allowance whilst P9D is used when payments fall below this threshold.)
- 1.5 However the provision of ICT equipment has not previously been declared. Because councillors are not confined to council business only in the use of the equipment (as happens at some other councils), the provision of the equipment is considered a taxable benefit by Her Majesty's Revenues and Customs (HMRC). The variation in tax treatment between allowances and equipment was highlighted this year by a Freedom of Information enquiry seeking clarification of the payments made by this council for councillors' ICT equipment.

2.0 Proposed Future Treatment

- 2.1 It is proposed that from the 2013/14 tax year both allowances and equipment will be not be taxed at source but will be declared under P9D/P11D returns for each councillor. This will mean that Councillors are responsible for their own arrangements

in terms of any tax due but will also ensure that councillors with no taxable income do not have to reclaim the tax as now.

2.2 HMRC defines the taxable benefit of ICT equipment for which personal use is allowed as 20% of the value per annum. The value of the equipment provided to councillors following the 2011 election is £800 for the lap-top and £81.50 for the printer, giving an annual taxable benefit of £176.30 for both items and £160 for the lap-top alone.

3.0 Recommendation

3.1 Members are recommended to agree the future treatment and note the current position in relation to the tax treatment of the provision of ICT allowances and equipment and to agree the proposal to declare these in future via P9D/P11D returns as set out in paragraphs 2.1 & 2.2.

[Reason: to harmonise the tax treatment and reduce the administrative burden on the council and lower income councillor]

Legal	Power: [REDACTED]				
	Other considerations: HMRC Guidance on taxable Benefits of ICT Equipment.				
Background Papers: None					
Person Originating Report: Sharn Matthews, Executive Director					
Date: 5 November 2012					
CFO		MO		CX	

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