

**Employee Benefits and Expenses – Abolition of the £8,500 threshold for lower paid employment and form P9D**  
**HM Revenue & Customs (HMRC) consultation document**  
**Response from the Low Incomes Tax Reform Group (LITRG)**

**1 Executive Summary**

- 1.1 We welcome the opportunity to respond to the HMRC consultation document on the abolition of the £8,500 threshold for lower paid employment and form P9D.
- 1.2 We commend the Government and HMRC for providing sufficient time to formulate responses, for holding meetings with interested parties to discuss the consultation, for consulting simultaneously on four connected measures and for issuing a call for evidence on remuneration practices. We note that the Government has also commenced a review of the rules on travel and subsistence.
- 1.3 The LITRG recognises the rationale of simplification behind the proposal (para. 1.7 of the consultation document) and acknowledges that this is a key principle of a well-designed tax system. There are other principles that are also important in designing a tax system however, including fairness, and our response aims to ensure that there is a balance between simplification and fairness in taking this proposal forward.
- 1.4 Since the personal allowance is now £10,000 (and due to rise to £10,500 from April 2015), we acknowledge that a lower paid employee in receipt of benefits in kind would not face a tax charge unless they also had other income. From this point of view, the abolition of the threshold would also remove an element of unfairness from the current system, whereby an employee with more than one employment in receipt of benefits in kind might not be liable to tax and National Insurance, but an employee earning the same amount and receiving the

same level of benefits in kind from one employment would face a tax and National Insurance charge in respect of those benefits in kind.<sup>1</sup>

- 1.5 We understand that a policy decision on going ahead with the abolition has been taken. Our comments are made with a view to ensuring that key groups affected by the abolition are protected; we are pleased to see that HMRC appear to wish to provide protection for affected groups too.
- 1.6 We have identified a number of groups of employees and employers that we believe could be adversely affected by the removal of the £8,500 threshold. In terms of employees, we highlight carers, part-time workers and ministers in the Roman Catholic Church; in terms of employers, we draw attention to care and support ('accidental') employers and small employers generally.
- 1.7 We think that there is a principled case for some form of protection for particular groups of employees and employers likely to be affected by the removal of the £8,500 threshold, such as those groups noted above. We think the best and simplest approach may be to identify these groups on a case-by-case basis and offer exemptions for particular benefits in kind to particular groups. Such exemptions would remove the need to report the benefit in kind and pay National Insurance contributions from the employer, and would remove the need to declare the benefit in kind as income and pay tax (and National Insurance contributions) on it from the employee.
- 1.8 We recommend that any particular exemptions relate to the role of the employee, not their job title.
- 1.9 It is important that the abolition and the safeguards work with legislation for tax credits, Universal Credit, means-tested benefits and the National Minimum Wage (NMW). For example, if a benefit in kind is exempt for tax and National Insurance purposes for a particular group of employees, we would not expect an affected employee to have to include the value of that benefit in kind as 'income' or to have to declare it for tax credits and means-tested benefits purposes. Nor would we expect it to count as income in terms of an employer meeting their obligations under NMW rules.

## **2 About Us**

- 2.1 The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes. Everything we do is aimed at improving the tax and

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<sup>1</sup> It is possible that the removal of the threshold could result in an increase in an employee's Class 1 National Insurance liability. This will depend on the nature of the particular benefit in kind they receive.

benefits experience of low income workers, pensioners, migrants, students, disabled people and carers.

- 2.2 LITRG works extensively with HM Revenue & Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for improving the system. Too often the tax and related welfare laws and administrative systems are not designed with the low-income user in mind and this often makes life difficult for those we try to help.
- 2.3 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

### **3 Introduction**

- 3.1 The LITRG has called for employee benefits and expenses to be considered holistically within responses to previous consultation documents that dealt with only one or two proposals at a time.<sup>2</sup> It is good to see that as a result of the review carried out by the Office for Tax Simplification (OTS), the Government is now taking a more holistic approach.
- 3.2 The 2008 consultation document “Including benefits in kind and expense payments in the payroll: a fresh approach” touched on the issue of the abolition of the £8,500 threshold. In our response to that consultation we voiced a particular concern in relation to this proposal, in that it would have created an additional tax burden on some of the poorest taxpayers – the very people who most need its protection. Nevertheless, we acknowledged the practical problems that the threshold causes and the rationale behind its proposed removal. We suggested that more research should be carried out to identify affected taxpayer groups, the number of employees potentially affected and for consideration to be given to alternative remedies.<sup>3</sup> We also requested that the research try to identify where abolition of the threshold might result in a disincentive to work for those on low incomes.

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<sup>2</sup> In 2008, LITRG responded to the HMRC consultation document “Including benefits in kind and expense payments in the payroll: a fresh approach” – [http://www.litrg.org.uk/Resources/LITRG/1\\_513\\_Payrolling\\_BIKandExps\\_condoc\\_LITRG\\_response\\_17\\_March2008.pdf](http://www.litrg.org.uk/Resources/LITRG/1_513_Payrolling_BIKandExps_condoc_LITRG_response_17_March2008.pdf); in 2008, LITRG responded to the joint HM Treasury and HMRC consultation document “Tax relief for travel expenses: temporary workers and overarching employment contracts” – [http://www.litrg.org.uk/Resources/LITRG/1\\_597\\_Taxrelieffortravelexpenses\\_LITRG\\_final.pdf](http://www.litrg.org.uk/Resources/LITRG/1_597_Taxrelieffortravelexpenses_LITRG_final.pdf); in 2010, LITRG responded to the Government consultation document “National Minimum Wage workers – travel and subsistence expenses schemes” – [http://www.litrg.org.uk/Resources/LITRG/1\\_782\\_LITRG\\_NMW\\_6May2010final.pdf](http://www.litrg.org.uk/Resources/LITRG/1_782_LITRG_NMW_6May2010final.pdf)

<sup>3</sup> Our response is available on our website: [http://litrgold.cubik.co.uk/Resources/LITRG/1\\_513\\_Payrolling\\_BIKandExps\\_condoc\\_LITRG\\_response\\_17March2008.pdf](http://litrgold.cubik.co.uk/Resources/LITRG/1_513_Payrolling_BIKandExps_condoc_LITRG_response_17March2008.pdf)

- 3.3 In addition, we pointed out that there needed to be a disability impact assessment – disabled people may be disproportionately affected by the abolition of the threshold as they are more likely to be low earners than people without a disability. In relation to this consultation, we recommend that a full disability impact assessment is carried out. We also recommend that a full equality impact assessment is carried out, as those working part time and flexibly are mainly women.
- 3.4 Although the threshold is a cause of complexity in the benefits in kind system, there are other fundamental causes of complexity. We hope that the Government and HMRC will address these too, for example the variety of ways of taxing different types of benefit in kind and the variety of methods of valuation used which can make completion of forms P11D difficult.
- 3.5 At para. 2.3 of the consultation document, it states that the original policy intention behind the threshold for lower paid employment was to ensure that only those employees in ‘higher paid’ employments paid tax on benefits in kind. It would appear that the current policy intention is to tax all employees on their benefits in kind (para. 2.13), and that this change in policy has not been made deliberately, but has simply evolved over the years due to the failure to increase the £8,500 threshold in line with inflation (and latterly at all).<sup>4</sup> Before following through with this proposal, therefore, we recommend that some consideration is given to the issue of whether or not there is a rationale for having a threshold, whether or not the rationale behind the original policy still exists and what the rationale for the current policy is? We think this approach will assist in the development of sensible safeguards for groups affected by the abolition and the development of a coherent framework for employee benefits and expenses more generally.<sup>5</sup>
- 3.6 At para. 2.10 of the consultation document, it states that HMRC received only around 15,000 P9Ds in respect of the tax year ended 5 April 2012. It is acknowledged elsewhere however, that the threshold is not well understood and that many employers ignore it (para. 3.9 of the consultation document).<sup>6</sup> This evidence demonstrates the complexity of the threshold, but it also suggests that the numbers of P9Ds received by HMRC do not accurately represent the number of people who ‘should be’ affected by this change. Another difficulty in both quantifying and identifying the employees and employers that will be affected is due to the fact that for many benefits in kind there are no reporting requirements at all if the employee

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<sup>4</sup> As noted in the final report of the OTS, if the threshold had increased with inflation, it would have been over £41,000 in December 2013: para. 4.9, Review of employee benefits and expenses: second report, Office of Tax Simplification, January 2014 -

<https://www.gov.uk/government/publications/review-of-employee-benefits-and-expenses-second-report>

<sup>5</sup> We note that removal of the £8,500 threshold would also assist with the introduction of voluntary payrolling, however, we do not think that the abolition should proceed simply to pave the way for payrolling.

<sup>6</sup> Paras. 4.13 ff., Review of employee benefits and expenses: second report, Office of Tax Simplification, January 2014 - <https://www.gov.uk/government/publications/review-of-employee-benefits-and-expenses-second-report>

is under the threshold.<sup>7</sup> This factor also means that many affected employers will not only face increased National Insurance liabilities, but also increased reporting obligations.<sup>8</sup>

- 3.7 The OTS discuss who will benefit and who will lose out from the abolition in their second report: at para. 4.21, the OTS report states that there will probably be slightly higher revenues, and that these will come about because of "the increased tax borne by some lower paid employees" as well as employers' National Insurance.<sup>9</sup> It seems fundamentally wrong that simplification should come at the cost of extra tax for those who can least afford it, while bringing administration benefits for employers, HMRC and Government. As a matter of principle, the Government and HMRC must ensure that there is protection in place for certain groups of employees and employers when the abolition occurs.

**4 Q1 If you believe you or your employees, or organisations you represent will be affected by the removal of the £8,500 threshold please provide examples of the type of employees affected and the work areas in which they are engaged.**

**Q2 Why is the removal of the £8,500 threshold likely to affect these groups of employees or employers? Please provide details of what you believe to be the likely impacts for these groups?**

**4.1 *Care and support employees and employers***

4.1.1 Care and support employers are by definition individuals who require assistance from others in order to live their daily life. They are essentially 'accidental' employers, in that they have not chosen to set up a business and employ someone; circumstances have forced this situation on them.

4.1.2 The various tax-related issues that can affect care and support employers and their employees were examined in section 3 of our 2008 report concerning independent living and direct payments.<sup>10</sup> Removal of the £8,500 threshold will not only increase compliance and reporting burdens, it will also increase National Insurance burdens for care and support

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<sup>7</sup> An additional point worth noting is that for some benefits in kind the P11D value is greater than the P9D value. For example, an employer gives two employees, one lower paid and one high paid, an identical asset. The assets initially cost the employer £250 each, but their second-hand value when transferred to the employee was £10. The lower paid employee has received a benefit in kind of £10. The high paid employee has received a benefit in kind of £250.

<sup>8</sup> Examples of benefits for which there are no reporting requirements if the employee earns at a rate of less than £8,500 per year are beneficial loans, assets made available for private use and PMI: <http://www.hmrc.gov.uk/payerti/exb/a-z/index.htm>.

<sup>9</sup> Para. 4.21, Review of employee benefits and expenses: second report, Office of Tax Simplification, January 2014 - <https://www.gov.uk/government/publications/review-of-employee-benefits-and-expenses-second-report>

<sup>10</sup> [http://litrgold.cubik.co.uk/Resources/LITRG/1\\_490\\_080131\\_DP\\_Report\\_final.pdf](http://litrgold.cubik.co.uk/Resources/LITRG/1_490_080131_DP_Report_final.pdf)

employers. Their employees will face increased tax liabilities. This could result in a disincentive to work for some care and support employees.

- 4.1.3 We recommend that the removal of the £8,500 threshold and any protection for the care and support sector takes account of the typical arrangements that exist within this sector. For example, one user might employ several part-time carers, who all earn below the £8,500 threshold. In addition, any protection needs to take into account existing tax law. For example, the Employer's Allowance is not available to care and support employers, a policy decision for which there does not appear to be a reasonable basis. It is essential that any protection for small employers, including care and support employers, does not depend on a successful claim for Employer's Allowance, as this would mean care and support employers could not access that protection.
- 4.1.4 Care and support employees and employers are likely to be affected by the abolition of the £8,500 threshold, as often they are low paid and/or part-time workers. A 'benefit' that is often received by such employees is board and lodging. Currently, if they earn at a rate less than £8,500, the employer can share a meal with them or provide a bed for the night with no reporting requirements and no tax or National Insurance consequences for either party. If there were no £8,500 threshold, the employer would have to report the cost of providing the meal and the lodging on a form P11D. The employer would have to pay Class 1A National Insurance and the employee would possibly have to pay tax on the value of the 'benefit'. The lodging is unlikely to fall within the current accommodation exemptions.<sup>11</sup>
- 4.1.5 For example, a carer provides 24-hour care to an employer three days and nights per week. They earn £150 per week; for NMW purposes there is an agreement that they only receive payment for eight hours per 24-hour shift. The employer also provides them with the spare bed to sleep on and shares some meals with them, costing the employer £600 per annum. Such a package amounts to £8,400, meaning that currently there are no reporting, tax or National Insurance consequences in respect of the board and lodging. The removal of the £8,500 threshold will certainly result in increased reporting obligations and costs for the employer; there may also be increased costs for employee depending on their particular circumstances.
- 4.1.6 We recommend that there is an exemption for the provision of board and lodging by care and support employers to their carers. It is arguable that this is not actually a 'benefit' anyway, as often the board and lodging enables carers to properly carry out their role of supporting their employer in their daily life.

## **4.2 Volunteers**

- 4.2.1 Volunteers could be affected by the abolition of the £8,500 threshold. This is a group to which we have previously drawn attention.<sup>12</sup> Confusion can often arise in the charitable and

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<sup>11</sup> ss. 99 and 100 ITEPA 2003.

<sup>12</sup> Bureaucracy, expenses and the low-income volunteer – Low Incomes Tax Reform Group, April 2009 - <http://www.litrg.org.uk/News/2009/volunteers-expenses-in-the-spotlight>

related sectors, since volunteers do not receive direct payment for their time, but may receive minor expenses payments or *honoraria* to cover out-of-pocket costs. The answer here might be to provide clearer guidance and an exemption for reimbursed ‘business expenses’, including home to ‘work’ travel, for volunteers.

- 4.2.2 Some organisations go beyond direct reimbursement of allowable expenses, however; this problem is likely to increase, since the Government is encouraging volunteering, as a way into employment for disabled people, for example. Organisations may pay for expenses which would not be considered allowable, and would be considered to be a benefit in kind, such as reimbursement of childcare costs, to enable a parent to volunteer. We recommend that consideration is given to our 2009 report on the position of volunteers,<sup>13</sup> and that the position for volunteers is clarified.

### **4.3 *Ministers of religion***

- 4.3.1 Ministers of religion could also be affected; we are aware that the abolition of the threshold is of particular concern to the Roman Catholic Church, because of the way in which some clergy are paid. In the Roman Catholic Church most priests earn at a rate of less than £8,500 per annum; they generally receive a low salary, a food allowance, travel expenses, office expenses and housekeeping. They often receive accommodation benefits, but these generally fall within the exemptions. There is a concern that such clergy would suffer hardship if they were faced with paying tax on these benefits in kind.

- 4.3.2 We recommend that all reasonable expenses related to tax-free or exempt accommodation are exempt too, for both tax and National Insurance purposes.

### **4.4 *Part-time and flexible employees***

- 4.4.1 Part-time and flexible employees, such as working parents, are another group that might be affected, although this necessarily spans various sectors. This is because many employers offer benefits in kind as a means of attracting and retaining staff. In order to maintain fairness, unless there are specific restrictions preventing an employee receiving a particular benefit in kind, employers will offer benefits in kind across the board to both full-time and part-time staff. Due to the NMW, removal of the £8,500 threshold is most likely to affect part-time employees.<sup>14</sup> It should also be noted that more and more people are working flexible hours. Often, for part-time workers, there is only a fine line between whether they are better off in work or on welfare benefits. Taxing a benefit in kind that was previously excluded from charge could tip the balance against ‘making work pay’.

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<sup>13</sup> Bureaucracy, expenses and the low-income volunteer – Low Incomes Tax Reform Group, April 2009 - <http://www.litrg.org.uk/News/2009/volunteers-expenses-in-the-spotlight> and [http://www.litrg.org.uk/Resources/LITRG/1\\_663\\_LITRGvolunteersexpensesreport.pdf](http://www.litrg.org.uk/Resources/LITRG/1_663_LITRGvolunteersexpensesreport.pdf)

<sup>14</sup> The NMW is currently £6.31 per hour. This means that annual earnings of £8,500 equate to roughly 26 hours per week at the NMW rate.

- 4.4.2 Part-time employees working for – usually larger – firms where benefits in kind are offered as standard to all employees will be affected. Take the following example:

Mrs A works as a part-time receptionist for a large firm. She is paid £7.50 an hour for 16 hours a week, i.e. £6,240 per annum. She also receives a small occupational pension of £5,000. The firm offers everyone Private Medical Insurance and Mrs A takes it up. The benefit in kind is £600 per annum to cover herself and her family (including her children). Her total earnings are her salary and benefit in kind added together, i.e. £6,840. As this is less than £8,500, under the present regime, she pays no tax on the benefit in kind. If the earnings threshold were removed, tax of 20% would be due on the benefit in kind, i.e. £120 per annum, as her total income exceeds the personal allowance.

- 4.4.3 In view of the rising state pension age, it is likely that more and more pensioners will continue to work part time in their retirement to help make ends meet. They may draw a small occupational pension using up their personal allowance or have some savings income, and also have a part-time job. This could mean that the abolition of the £8,500 threshold results in a tax liability for them on any benefits in kind they receive (see the example of Mrs A at 4.4.2 above). Often, those working part-time or flexibly are women, for example they may take low-paid, flexible work like cleaning or caring to enable them to juggle child care or taking care of elderly parents. We recommend that a full equality impact assessment is carried out.

#### **4.5 Welfare benefit and tax credits claimants**

- 4.5.1 We understand that HMRC have also not yet considered what the knock-on effect might be for tax credits claimants and those claiming means-tested benefits. Many of the people who are currently under the £8,500 threshold are likely to also be claiming tax credits and/or other means-tested benefits and therefore it is imperative to address this issue before making a decision on whether or not to abolish the £8,500 threshold. Yet, at no point does the consultation document mention this key area, which is disappointing, as we have previously drawn it to HMRC's attention – for example, in connection with the consultation on payrolling in 2008.<sup>15</sup>
- 4.5.2 Currently, for tax credit purposes, some benefits in kind are included as income while others are specifically excluded.<sup>16</sup> Generally, the rules follow the tax treatment (with a handful of exceptions) meaning that lower paid employees under the £8,500 threshold will not have some of their benefits in kind taken into account as income as they are not taxable. If the threshold was removed, it is possible that these employees would see a decrease in their tax credits award because their income for tax credits purposes would be higher. So although they may not pay any additional tax, they may be worse off overall due to the reduction in

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<sup>15</sup> Paras. 3.2 ff.:

[http://litrgold.cubik.co.uk/Resources/LITRG/1\\_513\\_Payrolling\\_BIKandExps\\_condoc\\_LITRG\\_response\\_17March2008.pdf](http://litrgold.cubik.co.uk/Resources/LITRG/1_513_Payrolling_BIKandExps_condoc_LITRG_response_17March2008.pdf)

<sup>16</sup> <http://www.hmrc.gov.uk/manuals/tctmanual/TCTM04103.htm>



tax credits (which would be 41 pence for every £1 of benefit in kind income they have). Before going ahead with the proposals, there needs to be a clear understanding of what the tax credit implications will be if the threshold is abolished.

- 4.5.3 Similarly for means-tested benefits it is important the position is examined carefully as people may well be claiming benefits such as housing benefit and local council tax support.

#### **4.6 Disabled employees**

- 4.6.1 HMRC have an obligation to consider the potential effect of this proposal on disabled people under its Disability Equality Scheme. In its May 2007 Disability Briefing, the Disability Rights Commission (now enveloped in the Equality and Human Rights Commission) stated '*the average gross hourly pay of disabled employees is about 10 per cent less than that of non disabled employees*'. Disabled people are therefore more likely to be amongst the lower-paid members of society. It follows that they are likely to be disproportionately affected by removal of the threshold. We recommend that a comprehensive disability impact assessment is carried out.

#### **4.7 Small employers**

- 4.7.1 Some smaller employers, who currently provide benefits in kind to lower paid employees and follow the rules in respect of P9Ds and the £8,500 threshold will face greater administrative and compliance burdens, through having to complete P11Ds; and also increased costs, because of having to pay more employers' National Insurance. At para. 4.26 of their second report, the OTS suggest compensating affected small employers by creating an exemption linked to the Employer's Allowance, or by increasing the Employer's Allowance. This idea has some appeal, but we have concerns with it, since Employer's Allowance is not available to care and support employers.<sup>17</sup>

### **5 Q3 Do you consider there is a principled case for some form of protection for particular groups of employees or employers likely to be affected by the removal of the £8,500 threshold? If so, which groups are they, and what form of protection should this take?**

- 5.1 We think that there is a principled case for some form of protection for particular groups of employees and employers likely to be affected by the removal of the £8,500 threshold, such as those identified in section 4 of this response. We think the best and simplest approach may be to identify these groups on a case by case basis and offer exemptions for particular benefits in kind to particular groups. Such exemptions would remove the need to report the benefit in kind and pay National Insurance contributions from the employer, and would remove the need to declare the benefit in kind as income and pay tax (and National

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<sup>17</sup> [http://www.litrg.org.uk/News/2014/140326\\_double\\_blow\\_cands\\_employers](http://www.litrg.org.uk/News/2014/140326_double_blow_cands_employers)

Insurance contributions) on it from the employee. Exemptions would have to relate to the role of the employee, not their job title.

- 5.2 There should be protection for care and support employers and employees (see paras. 4.1.1-4.1.6 above). We recommend an exemption for the provision of board and lodging to carers by care and support employers.<sup>18</sup> One option would be to extend the exemption for particular types of living accommodation to specifically include any type of accommodation benefit provided to care and support employees (whether self-contained or a room within the employer's home, whether permanent or temporary, whether 'living accommodation' or 'board and lodging', whether the employee is on call or not). We recognise that it might be clearer and simpler to provide a specific exemption.
- 5.3 We acknowledge that there is a difficulty, whereby the definition of care and support employees or personal assistants might be deemed to include nannies. There could be rules to ensure that this exemption is targeted at care and support employees rather than nannies.<sup>19</sup> Our concern here is that not all individuals who require personal assistants are in receipt of particular disability benefits, so this is an area that would require exploration to ensure that the correct criteria are used.
- 5.4 We recommend that similar specific exemptions are developed for Roman Catholic priests in relation to reasonable expenses connected with their exempt accommodation. The other groups we have identified in section 4 could cover various sectors, as they include part-time and flexible employees, disabled employees, volunteers and small employers. It may be more difficult to develop specific exemptions to assist them, but we recommend that consideration is given as to how people in these groups can be protected and we refer you to our comments at section 4 above.
- 5.5 As noted at 4.5.1 above, many employees earning at a rate of less than £8,500 per annum are likely to be claiming tax credits, Universal Credit and/or means-tested benefits. We recommend that protection is provided for these individuals, to ensure they do not face a double blow: a tax charge plus a fall in tax credit or welfare benefit. One option might be to ensure that affected claimants do not have to include benefits in kind as income for their claims, if they previously fell under the £8,500 threshold. The simplest option might be to exempt benefits in kind for tax credits and welfare benefits purposes if they also fall within a new exemption for tax purposes. This might not protect all affected claimants, however.

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<sup>18</sup> Chapter 1 of the OTS's final report considers accommodation benefits. We note that this problem may be resolved by the recommendations in the OTS report and therefore it would be ideal if reforms to the accommodation rules could occur at the same time as the abolition of the £8,500 threshold. However, as changes to the accommodation rules are likely to be a longer-term project, we make our recommendation on the basis that the abolition of the £8,500 threshold will occur first: <https://www.gov.uk/government/publications/review-of-employee-benefits-and-expenses-final-report>

<sup>19</sup> We refer you to The Income Tax (Pay As You Earn) Regulations 2003, and in particular reg. 67D as inserted by The Income Tax (Pay As You Earn) (Amendment) Regulations 2012.

**6 Q4 If you believe that some protection should be offered, how do you think this could be done in such a way as to avoid or minimise any additional complexity for employers?**

6.1 We think it would be helpful to affected employers and employees to defer the abolition of the £8,500 threshold until April 2016. This would allow time to employers and employees to prepare for the change.

6.2 One possible form of protection could be by increasing the personal allowance by an extra increment above the levels already proposed. This would have the advantage of simplicity. However, as it would apply universally to those with income below the income limit for personal allowances (£100,000 in 2014/15), this would not necessarily target those affected by the abolition of the £8,500 threshold, especially since the personal allowance already exceeds that level.

6.3 Perhaps the simplest form of specific protection, tailored to particular types of employee or benefit in kind, would be exemptions in respect of certain benefits in kind received by certain groups. For example, there could be an exemption for board and lodging provided to care and support workers, an exemption for reasonable accommodation-related services and expenses for ministers of religion, and an exemption for reimbursed 'business expenses' for volunteers. Specific exemptions in relation to specific, identifiable roles should not be too complex for employers to operate, as it should be clear to them whether or not they and their employee(s) fall within a group to which an exemption applies.

LITRG  
8 September 2014