

Employment Issues

Approved mileage allowance payments (AMAP)

The AMAP rates can be used to claim the cost of business mileage in an employee's own vehicle. The rates cover cars, vans, motorcycles and bicycles. Where an employer pays less than the published rates, employees can make a claim for tax relief for the shortfall.

With effect from 6 April 2011 the rate of the AMAP for cars and vans will be increased from 40p per mile to 45p per mile for the first 10,000 miles of business travel in the tax year. The rate for mileage above 10,000 miles will remain at 25p per mile.

An allowance for passenger payments currently in place for employees at 5p per passenger per mile will be extended to volunteers who carry passengers as part of their volunteering duties. This extension will apply with effect from 6 April 2011.

Company car fuel benefit charge

Employees and directors who are provided with a company car and who also receive free fuel from their employers are subject to the fuel benefit charge. The benefit charge is determined by multiplying a set figure by the appropriate percentage for the car based on its CO₂ emissions. The current set figure of £18,000 will be increased to £18,800 from 6 April 2011.

Company car tax rate 2013/14

Legislation will be introduced in Finance Bill 2011 to increase the appropriate percentages by 1% for all vehicles with CO₂ emissions between 95gm/km and 220gm/km from April 2013. Zero emission cars will remain at 0% and ultra low emissions cars with emissions up to 75gm/km will remain at 5%.

Employer-supported childcare

Changes had previously been announced to the tax breaks for employer-supported childcare.

There is currently a £55 per week limit on the amount of exempt income associated with childcare vouchers and directly contracted childcare for employees in an employer's scheme. This will be restricted in cases where an employee joins a scheme on or after 6 April 2011 and their earnings and taxable benefits are liable to tax at the higher rates.

Employers will be required, at the beginning of the relevant tax year, to estimate the level of contractual employment earnings that their employee is likely to receive during that year, ignoring potential bonus and overtime payments, but including other known taxable benefits. Income for the purpose of the calculation will be reduced by the personal allowance as shown on the individual's tax code for the relevant employment.

The effect will be to ensure that the monetary equivalent of tax relief entitlement for all taxpayers will be £11 per week.

Anyone in a scheme by 5 April 2011 will not be affected by these changes as long as they remain within the same scheme.

Disguised remuneration

Legislation will be introduced from 6 April 2011 to tackle arrangements using trusts and other vehicles to reward employees which seek to avoid, defer or reduce tax liabilities.

In many cases these third party arrangements allow an employee to enjoy the full benefit of a sum of money paid or assets provided while arguing that, because of the structure of the arrangements, there is no legal right to the money or assets.

Legislation will be introduced to ensure that where a third party makes provision of what is in substance a reward or loan, in connection with the employee's employment, the employer will be required to account for PAYE and NICs. This will be based on the sum of money made available or the cost or value of the reward.

The legislation may catch arrangements made on or after 9 December 2010 and before 6 April 2011 unless the employee repays sums or returns assets before 6 April 2012.

The scope of the legislation will include Employer Financed Retirement Benefit Schemes, in keeping with the restriction of pensions tax relief on registered pension schemes.

Third party arrangements that are not tax-avoidance will be excluded, in so far as this is possible without creating additional avoidance risks, from the effect of this measure.