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HOW TO TREAT CERTAIN EXPENSES AND BENEFITS PROVIDED TO EMPLOYEES DURING CORONAVIRUS (COVID-19)

Find out about taxable expenses and benefits when they are paid to employees because of coronavirus and how to report them to HMRC.

This guidance is about Income Tax treatment only. National Insurance contributions treatment may vary depending on the individual benefit or expense.

See: https://www.gov.uk/guidance/how-to-treat-certain-expenses-and-benefits-provided-to-employees-during-coronavirus-covid-19?utm_source=ccb18039-68cb-40ea-a9f2-be6feeb64e40&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

Please talk to us if you need clarification in any of these areas.

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Living accommodation

If your employee is working at a permanent workplace

If you are providing living accommodation for an employee working at a permanent workplace because of coronavirus, the cost will be taxable.

If an exemption applies, for example, if your employee is a warden of a sheltered housing scheme and is living at the premises, where they are on call outside normal working hours, there will be no tax charge.

If your employee is working at a temporary workplace (for less than 24 months)

Tax relief is available for your employees who are provided with living accommodation when working at a temporary workplace because of coronavirus.

You should report the cost of providing the accommodation on a P11D as normal, even if the value of the benefit is nil.

Lodging expenses

If your employee cannot return home because of coronavirus you may agree to reimburse their subsistence expenses and lodging expenses, for example if they stay in a hotel room.

These are taxable and can be reported through a PAYE Settlement Agreement.

Volunteer fuel and mileage costs

To support volunteer work by your employees, you may agree to refund fuel costs or fund the costs of volunteer mileage.

Employees using company cars

You may agree to refund the fuel costs (using the Advisory Fuel Rates) of your employees carrying out volunteer work related to coronavirus, for example, delivering medical supplies including PPE.

These refunds are a benefit and you may settle any tax and National Insurance contributions on your employee's behalf by reporting through a PAYE Settlement Agreement.

You may also agree to fund the cost of fuel for volunteer mileage related to coronavirus.

Volunteer mileage should not be considered for the purposes of the car fuel benefit charge for company cars.

Any tax and National Insurance contributions due should be reported through a PAYE Settlement Agreement as a coronavirus related benefit based on the appropriate advisory fuel rate for the volunteer mileage.

Employees using private cars

If your employee uses their own car to volunteer you can refund them up to the level of the approved mileage allowance rate. This is taxable and should be reported through a PAYE Settlement Agreement as a coronavirus related benefit.

If you pay your employee less than the approved mileage allowance rate they cannot claim mileage allowance relief.

Paying or refunding transport costs

If you pay or refund your employee the cost of transport from work to home, this is considered to be a benefit. This is because journeys between an employee's workplace and home are private journeys.

In some circumstances there is an exemption from paying tax on this benefit. For this to happen, all of the following 4 conditions must be met:

- / the employee has to work later than usual, and until at least 9pm
- / this happens irregularly
- / by the time the employee finishes work, either:
 - public transport has stopped
 - it would not be reasonable to expect them to use public transport
- / the transport is by taxi or similar road transport

Your employees may regularly travel to work in a car with one or more other employees using a car-sharing arrangement. If this arrangement stops because of unforeseen and exceptional circumstances, which are coronavirus related, and you provide transport or reimbursement of the expense of transport from your employee's home to workplace, this may also be exempt. The total number of exempt journeys cannot exceed 60 journeys in a tax year. This is a single limit that applies to the late-night journeys and the failure of any car-sharing arrangement, together.

If these requirements are not met, free or subsidised transport is taxable and should be reported through a PAYE Settlement Agreement as a coronavirus related benefit.

Free or subsidised meals

You do not have to report anything to HMRC or pay tax and National Insurance if you offer all your employees:

- / free or subsidised meals of a reasonable value at a workplace canteen
- / vouchers that cover the cost of buying these meals

Free or subsidised meals that are not exempt

This includes meals that are:

- / not on a reasonable scale, for example elaborate meals with fine wines
- / provided off-site but not at a canteen, for example at a restaurant
- / not available to all staff, for example meals for directors only
- / provided under salary sacrifice or flexible remuneration arrangements (also known as 'flexible benefit plans')

If you provide your employees with vouchers for meals outside the workplace find out how to report this to HMRC, here: https://www.gov.uk/guidance/how-to-treat-certain-expenses-and-benefits-provided-to-employees-during-coronavirus-covid-19?utm_source=ccb18039-68cb-40ea-a9f2-be6feeb64e40&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate#report

If you provide other vouchers, cash allowances or employee accounts, this counts as earnings, for example:

- / vouchers that can be exchanged for either food or cash
- / cash allowances for meals
- / top-up payments to an employee's account for workplace food and drink using a card or PIN system

For these costs, you must:

- / add the amount to your employee's other earnings
- / deduct and pay PAYE tax and Class 1 National Insurance through payroll

If the meals or vouchers you provide are not exempt, you need to report them to HMRC and deduct and pay tax and National Insurance on the costs.

Company car 'availability'

Your employee may have been furloughed or is working from home, because of coronavirus, and provided with a company car, which they still have. You should treat the car as being made 'available for private use' during this period even if your employee is:

- / instructed to not use the car
- / asked to take and keep a photographic image of the mileage both before and after a period of furlough
- / unable to physically to return the car or the car cannot be collected from the employee

Where restrictions on movement applies because of coronavirus and prevents the car from being handed back or collected, HMRC will accept that a company car is unavailable in the following circumstances:

- / where the contract has terminated - from the date that the car keys (including tabs or fobs) are returned to the employer or to a third party as instructed by the employer
- / where the contract has not been terminated – after 30 consecutive days from the date that the car keys (including tabs or fobs) are returned to the employer or to a third party as instructed by the employer

The return of keys means that a car cannot be driven in any circumstances even if it is still in the possession of your employee.

We also recognise that following relaxation of coronavirus restrictions, it may take some time to collect cars where contracts have been terminated. As long as your employee continues to have no access to the keys until the car is collected from them, HMRC will still regard the car as being unavailable.

Employee Car Ownership Schemes (ECOS)

Employees who have used ECOS arrangements, including a loan from a third party to purchase a car, may have to return the car at the end of the loan period for its value to be assessed as a final settlement of the loan.

Due to coronavirus restrictions, if your employee has not been able to return the car to the dealership or factory for its assessment, there may be an income tax charge on the amount of the loan still owing.

If the loan period was less than 4 years, it may be possible for your employee to arrange an extension with the loan provider for a few more months. This will cover the period until the car can be returned and the loan settled. If this is done, HMRC will accept that the arrangements do not give rise to the Income Tax charge. If however, the loan is extended beyond 4 years, an Income Tax charge will arise.

Salary sacrifice

Changes in circumstances because of coronavirus are accepted as a lifestyle change which allows salary sacrifice arrangements to be reviewed. If your employee chooses to amend a salary sacrifice arrangement because of coronavirus, you must make sure the change is reflected in the terms and conditions of their employment.

The rules on salary sacrifice changed in April 2017 and for most arrangements entered into before 6 April 2017, these new benefit valuation rules now apply.

The transitional rules apply for a longer period where the benefit is:

- / the provision of a car with emissions of more than 75g CO₂/km
- / provided living accommodation
- / the payment of school fees

The new rules will not apply to these types of benefits until 6 April 2021, unless employees vary or renew their arrangements.

An arrangement is not regarded as being varied if the variation of the arrangement is only directly in connection with coronavirus.

Employer provided loans

A salary advance or loan to help your employee at a time of hardship counts as an employment-related loan. Loans provided with a value less than £10,000 in a tax year are non-taxable.

Employees working from home

Check which expenses are taxable if your employee works from home because of coronavirus here: <https://www.gov.uk/guidance/check-which-expenses-are-taxable-if-your-employee-works-from-home-due-to-coronavirus-covid-19>

How to report to HMRC

Any expenses or benefits which are related to coronavirus can be reported on your PAYE Settlement Agreement.

If you are currently payrollrolling benefits in kind, you may continue to report expenses and benefits through your payroll as long as you have registered with HMRC before the start of the tax year (6 April). You may also continue to report expenses and benefits through P11D returns.

HMRC expects all P11D and P11D(b) returns to be completed online by 6 July 2020 for the tax year 2019-20, paper options are available for employers unable to file online.