

# **FINANCE ACT 2015**

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## **EXPLANATORY NOTES**

### **INTRODUCTION**

#### ***Section 14: Exemption for Board Or Lodging Provided to Carers***

##### **Summary**

1. This section provides a new exemption from income tax where an employed home care worker is provided with board and/or lodging in the home of the person that they are caring for. This exemption is being introduced as a result of the abolition the £8,500 threshold for benefits in kind and expenses that is taking effect at the same time.

##### **Details of the Section**

2. Subsection (1) amends Part 4 of Income Tax (Earnings and Pensions) Act (ITEPA) 2003, (employment income: exemptions).
3. Subsection (2) inserts new section 306A into Chapter 8 (exemptions: special kinds of employees).
4. New subsection 306A(1) defines a home care worker as an individual employed wholly or mainly to provide personal care to another individual at the recipient's home, where the recipient is unable to care for themselves because of old age, mental or physical disability, past or present dependence on alcohol or drugs, or past or present illness or mental disorder.
5. New subsection 306A(2) provides that no liability to income tax arises where board and/or lodging is provided at the home of the person being cared for, on a reasonable scale, to a home care worker by reason of their employment.
6. Subsection (3) adds new section 306A to the list of exemptions in section 228 ITEPA 2003 for which there is no liability to tax under any enactment.
7. Subsection (4) provides that the exemption will have effect for the 2016-17 tax year onwards.

##### **Background Note**

8. At Budget 2014 the Chancellor announced a number of measures aimed at simplifying the administration of employee BiKs and expenses. This followed the Office of Tax Simplification's (OTS) review of employee BiKs and expenses.
9. The package of four measures consisted of the following:
  - Abolishing the threshold for the taxation of BiKs for employees who earn at a rate of less than £8,500 a year ('lower paid' employments), with action to mitigate the effects on vulnerable groups disadvantaged by the reforms;
  - Introducing a statutory exemption for trivial BiKs;

*These notes refer to the Finance Act 2015 (c.11)  
which received Royal Assent on 26 March 2015*

- Introducing a system of collecting income tax in real time through ‘payrolling’ of BiKs; and
  - Replacing the expenses dispensation regime with an exemption for paid and reimbursed expenses.
10. This new exemption is being introduced to mitigate for a particular group of people the effects of the abolition of the £8,500 threshold for BiKs and expenses that is being introduced at the same time.
  11. This exemption applies to income tax for board and/or lodging provided on a reasonable scale to an employed carer in the home of the person that they are caring for.
  12. The exemption will also apply to National Insurance contributions due on the value of the BiK of board and/or lodging, which the person providing the BiK of board and/or lodging (usually the person being cared for) would otherwise have to pay.
  13. This is to ensure that those persons who are in need of care are not involved in additional employer related administration or costs that may arise from the abolition of the threshold.
  14. These changes will be introduced for the 2016-17 and subsequent tax years.