

# Income Tax

A GUIDANCE DOCUMENT FROM THE NATIONAL ASSOCIATION OF HEAD TEACHERS

PM013 Revised 2005

## 1. General

Expenses that may be allowed as a deduction from emoluments assessable for income tax under Schedule E are limited by Section 198 of the Income and Corporation Taxes Act 1988 (ICTA). These expenses must be those which an employee is obliged to incur and bear out of his/her earnings and which are wholly, exclusively and necessarily incurred in the performance of the duties or employment.

'Necessarily' is decided not only by asking whether it is a condition of employment but also whether the duties could be performed without the expense.

From 2002/03 no deduction under S198 ICTA 1988 is permitted for costs incurred by employees who use their own vehicle or bicycle for business travel. Instead a deduction is permitted under the statutory mileage allowance relief scheme. (See paragraph 7).

This guidance document is designed to provide members with some general advice relating to potential tax relief. Members are advised, however, to make individual enquiries to HM Revenue and Customs (HMRC) if they are thinking of making claims that they consider may come within the provisions of the above Section 198.

## 2. Subscriptions paid to Professional Associations

A claim may be made in respect of annual subscriptions paid to certain professional bodies, which have been approved by HMRC where the body's activities are relevant to the duties of the employment. A list of HMRC approved professional bodies can be accessed on [www.hmrc.gov.uk/list3/index.htm](http://www.hmrc.gov.uk/list3/index.htm).

The NAHT has been so approved.

## 3. Special Clothing

If the use of special clothing is certified by the employer as necessary in the performance of duties, and the employer does not provide the clothing, then the expenses of the upkeep (but not of the original purchase) of that clothing may be claimed (see Factsheet 2 of HMRC booklet IR10).

Academic dress, overalls and physical education clothing would normally come under this provision. Other clothes, even though used exclusively at school, would not attract tax relief.

#### **4. Use of Home as Office**

Many members undertake some of their tasks at home rather than at school, but they are unlikely to be able to claim any tax relief. Generally, it cannot be accepted that their contractual duties require provision at home in order to carry out such duties. Even where a room is set aside exclusively for work, no part of the overheads such as council tax, heating or lighting will attract tax relief. This is because the expenses are not incurred necessarily in the performance of duties.

There are two conditions that must be met before a deduction for household costs can be made. These are:

- The duties carried out at home must be substantive duties of the employment, and
- It must be an objective requirement of the duties of employment that the work is carried out at home and nowhere else.

If a claim is made that a room has been set aside exclusively for business purposes, then, regardless of the fact that the rest of the house was their principal private residence, on the eventual sale of the property, capital gains tax would be levied on a proportion of the sale value.

#### **5. Entertaining**

Where entertaining expenses are reimbursed by the employer (for example, for speech days, prize giving, meetings of school governors or annual parents' meetings), a deduction may be claimed for the expenditure as reimbursed by the employer. However, tax relief is not available on any other entertaining expenses incurred by the employee and not reimbursed by the employer.

#### **6. Books**

A deduction may be permitted under Section 198(1) ICTA 1988 for the full cost of books where these are necessarily purchased for use in the performance of duties of employment.

'Necessarily' in this context should be seen as satisfied only in relation to books purchased for use in teaching GCSE, 'A' Level and above. For courses below this level, textbooks and other material will usually be supplied by the employer.

'In the performance of duties of employment' should be regarded as covering:

- Books made available to pupils for their own use
- Books used by the teacher in the classroom in the course of lessons
- Books used by the teacher in the actual preparation of lessons

The cost of books used for the general maintenance or improvement of the member's knowledge or qualifications is not deductible,

#### **7. Motor Cars**

Most members will do very little travelling for which a deduction can be permitted. One example of allowable travel costs would be where expense is incurred in journeys made between sites in a split-site school, but only where no transport is provided by the employer.

It is also accepted that travelling expenses paid to members in respect of travel between home and workplace i.e. such as school premises, would not be taxable if they were attending functions taking place out of school hours, e.g. evening or weekend performances of school plays, concert and sport functions. This does not include attendance at parent evenings on school premises as these are regarded as duties of employment.

Where a member wishes to make a claim for using their own vehicle for work, they should keep strict mileage records in the event that the HMRC wishes to query the claim made. The claim is made under the Approved Mileage Allowance Payments (AMAP's). Many local authorities will reimburse the business travel under the AMAP's rate. If, however, an amount is paid to the member below the authorised rate then they may claim an expense deduction equal to the shortfall. Equally, if a rate is paid to the member above the AMAP rate, the excess is chargeable to tax in the normal way.

The maximum rates that can be paid free of tax under the AMAP's legislation are:

Type of Vehicle	Business Miles	2002/03 Onwards
Car or Van	First 10,000	40p
	More than 10,000	25p
Motorcycle	All	24p
Cycle	All	20p

If you carry colleagues as passengers in your car or van, you may receive a further passenger payment of 5p a mile tax-free. Further information on tax-free mileage allowances can be accessed at: [www.hmrc.gov.uk/cars/free\\_company\\_cars.htm](http://www.hmrc.gov.uk/cars/free_company_cars.htm).

It is no longer possible, (since 2002/03) to claim for interest on loans to purchase a car.

## 8. Home Telephone

Where the cost of business calls are reimbursed to the member, a deduction may be claimed for the expenditure as reimbursed by the employer, but excluding any part of the telephone rental or standing charge for a telephone installed at the employer's home.

No deduction is allowable for Internet access where the members can use the Internet for non-business purposes.

## 9. Expenses of Attending Conferences

No deduction can be allowed in these cases.

## 10. Advanced Training Courses

### • Full Time Courses

Where an employer continues to pay a member's salary on release from normal duties on condition that he/she undertakes an approved course of full-time study in the United Kingdom lasting at least four consecutive weeks and not exceeding twelve months, the following types of expenses may be treated as admissible.

Additional costs incurred by a married member obliged to live away from the care of his/her school, provided that he/she continues to maintain the family home there;

Similar expenses where a single member, with financial responsibilities equivalent to those of a married person, is obliged to live away from the area of his/her school but continues to maintain accommodation there;

Course fees where, exceptionally, these are not met by the employer;

Incidental expenses such as training materials provided in the course of training i.e. audio/video tapes, course books or literature and other stationery and the cost of necessary travelling where this is not refunded by the employer.

The member must also return to work at his/her normal place of work at the end of the course.

- **Part time Courses**

In general, expenses borne by the member will not be admissible.

- **Tuition Fees**

Where tuition fees are paid by the employer, they are usually not taxable, provided it is work related training.

## 11. Relocation

Qualifying removal expenses/benefits, received in connection with job related moves, are exempted from tax providing the following three conditions are met:

- **Change of Job and Home**

Must be moving home because of taking up new job with new employer or taking up new duties with existing employer, or continuing current job at new location.

Existing home must not be within reasonable travelling distance of new workplace.

New home must be within reasonable travelling distance of new workplace.

- **Type of Expense**

Eligible expenses are:

Expenses related to disposal of old property eg. Legal/estate agent fees, loan redemption penalties.

Meeting cost of travel to new location for house hunting trips.

Expenses of acquisition, even if acquisition fails.

Removal expenses.

Bridging loan expenses within certain limits.

Duplicate expenses due to domestic goods used in old property being unsuitable for use in new property.

- **Time Limit**

The relocation expense must be incurred or relocation benefits provided before the end of the tax year following the one in which the member starts the new job.

All conditions must be met in order for the exemption to apply.

The current qualifying limit is £8,000.