


FAO: Robert Robinson
North and Mid Wales Association of Local Councils
Triangle House
Union Street
WELSHPOOL
SY21 7PG



Wealthy/Mid-sized Business Compliance
S0678
Newcastle
NE98 1ZZ

Phone 03000 529058

Web www.gov.uk



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Dear Mr Robinson

Thank you for your letter of 21 January 2019 sent to HMRC VAT Return Enquires Team and I'm sorry for the delay in replying.

Your query has been forwarded to me to deal with as you have not raised an uncertainty about HMRC's interpretation of VAT legislation and it seems to be a query about Income Tax.

You asked me to consider if certain payments made to Town and Community Councillors in Wales are liable to Income Tax.

In my view having considered the facts in your clearance application letter:

Chairs extra Allowance

I note this is paid in regard for extra duties undertaken by those members of the council who would have significant additional responsibilities, over and above the generally accepted duties of a councillor and as such this is akin to the "Special responsibility allowance" for Local Government Councillors and civic dignitaries in England, which is taxable as employment income. Tax is collected under the PAYE system. The amount of tax deducted by the authority depends on the code number issued by each member's own tax office.

Please see guidance to Local Authorities from the Office of the Deputy Prime Minister (ODPM) of 2003 which includes information of the taxation of Member Expenses which can be found at EIM65960 of the Employment Income Manual, which is available on the GOV.UK website. The relevant web address this is: <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim65960>. Whilst this guidance does not specifically refer to Wales, the general principles will apply subject to these being up dated as is appropriate.

Basic Expenses and Mayors Expenses Allowances

Information is available in large print, audio and Braille formats.
Text Relay service prefix number – 18001



As you have not given details of relevant claim form requirements, authorisation process and invoice/receipt requirements then these should be treated as "round sum allowance". These will count as earnings, so you'll need to:

- add the full amount of the round sum allowance to the employee's other earnings when deducting and paying Pay As You Earn (PAYE) tax through payroll
- add the amount of the round sum allowance - minus any specific business expenses covered by it - to the employee's other earnings when deducting and paying Class 1 National Insurance through payroll

Members who receive tax returns should include figures for all their income on their Self-Assessment tax return. They will also include all claims they wish to make. Members who do not receive tax returns will have their tax checked by HMRC in the traditional way. They should send any claims to their tax office after the end of the tax year as now.

A rate payment which is calculated to do no more than reimburse the expenditure incurred on allowable expenses will not be regarded as a round sum allowance. The employer can be authorised to make such payments without deduction of tax under PAYE by applying for an exemption and providing evidence of typical expenses (for example receipts). The relevant web address is: <https://www.gov.uk/government/publications/payee-employer-expenses-and-benefits-exemption>

Please contact me if you need any further information.

Yours sincerely

Paul Conlon
Employer Technical Higher Officer

Join the millions of taxpayers already using their Personal Tax Account to access a range of HMRC services. It takes just a few minutes to get started, go to www.gov.uk/personal-tax-account

To find out what you can expect from us and what we expect from you go to www.gov.uk/hmrc/your-charter and have a look at 'Your Charter'.

NOTES: For Clerks you provide on your records a list (a generic one will be adequate) with a list of general expenses all Councillors spend. This total is to be £150. Then you will not need to attract tax or NI as they will be expenses.

I hope that is helpful.

RAR