

Coursebook

11/2016

Chapter 2, Payment of tax and tax administration, p13

In the summary diagram under the Late Submission heading, the second point should be > 3m (not < 3m)

Chapter 2, Payment of tax and tax administration, p28

Please change the wording of the question to "Identify the maximum penalty that could be imposed on her *for the error in her return*"

Chapter 3, Employment income, p31

Replace wording under Expenses title with:

- Allowable if:
 - Wholly, exclusively and necessarily for employment, or
 - Qualifying travel expenses, or
 - Professional fees or subscriptions
- Exempt if allowable and paid or reimbursed by employer
- Deduct of allowable and not paid or reimbursed by employer
- Watch entertaining

Chapter 3, section 5.1 Expenses

Replace entire section as follows:

5.1 Expenses

Employees will incur expenditure performing their job. They may or may not be reimbursed by their employer for these expenses. Certain business expenses are allowable:

- Wholly, exclusively and necessarily incurred in the performance of the duties of the employment, or
- Qualifying travel expenses (see 5.1.4), or
- Professional fees and subscriptions

The treatment of these expenses depends upon whether the employee is reimbursed for the expenditure by their employer or not.

5.1.1 Employee incurs expenses without reimbursement

If the employee bears the cost of the expense themselves without reimbursement from their employer then they would simply deduct the expense from their employment income.

[insert existing illustration 9 with no changes]

5.1.2 Employee incur expenditure and is reimbursed by employer, or employer pays directly

From 2016/17 the payment or reimbursement of expenses is exempt (i.e. no need to include in earnings) if they are fully allowable and the employee would therefore otherwise be able to claim a deduction. Employers will no longer be required to apply for a dispensation. This makes the administration of such expenses far simpler.

Illustration

Paul earns a salary of £35,000 a year. His employer pays his £500 subscription to the Chartered Institute of Taxation.

The subscription is exempt income as it is a reimbursed allowable expense, so it is not included in the calculations of earnings.

	£
Salary	35,000
Reimbursed expenses (exempt)	nil
Employment income	35,000

5.1.3 Expenses with a private and business element

Strictly, if an expense has a 'private' and 'business' component, then it is not exclusively used in the duties of employment and will not be allowed (for example if a phone is used for work purposes and privately, then no deduction can be claimed for the line rental, although the cost of the business calls would be allowed).

In practice HMRC will allow taxpayers to apportion costs where there is a business and a private element. The business use will be an allowable expense, and deductible for the employee on their tax return. If the allowable element is clearly identifiable, the exemption will apply.

5.1.4 Travel expenses

Travelling expenses are deductible; if the employer reimburses this is an exempt benefit. As noted above, if expenses are not reimbursed then the taxpayer may deduct the expense.

Only business travelling is allowable. Normal commuting from home to office is not included.

An exception is where an employee is seconded to a temporary workplace for less than 24 months; here commuting from home is allowable.

[continue with 5.1.5 with no changes]

Chapter 3, Test your learning, p61

Question 2, change wording of question to:

"Expenses are allowable if they are..."

Chapter 4, Property Income, p73

Please remove the reference to 'wear and tear' in (b) under the advantages of having an FHL.

Chapter 6, calculation of income tax, illustration 6, p112

The total income tax should be 1,200 (not 800)

Chapter 7, Chargeable gains, p140

In box 10 of the tax return, please enter 9100 (the loss available to be carried forward to later years)

Test your learning answers, p190

Q9 answer is £28,260 as shown in the working

Test your learning answers, p200

Q4 answer is £2,560 as shown in the working