20 May 2024

Dear Clerk

Community and Town Councils - Councillor Allowances - Homeworking arrangements and consumables

The Panel has received the following guidance from HMRC, regarding the treatment of tax on councillor allowances:

Section 316A of the Income Tax (Earnings and Pensions) Act 2003 states no liability to income tax arises in respect of a payment an employer makes to an employee in respect of reasonable additional household expenses which the employee incurs in carrying out duties of the employment at home under homeworking arrangements. **This arrangement applies to the £156 payment made under the Determination of the Independent Remuneration Panel.** It does not exempt any additional household expenses that a Councillor may seek to claim.

The following two conditions must apply:

1. The first provision is that there must be a formal arrangement between the individual councillor and Community and Town Council.
2. Secondly, each individual councillor must declare in writing they work from home regularly under these arrangements and that they are not already claiming a tax allowance for working from home against another source of taxable income, for example, another employment, public appointment, or self employment.
3. This arrangement should be set out and a template letter is attached for your use.

Trydydd Llawr Dwyrainf/Third Floor East
Adeiladau Coron/Crown Buildings
Parc Cathays/Cathays Park
Caerdydd/Cardiff CF10 3NQ

Ffôn/Tel: 03000 616095
Ebost/Email: mailto:IRPMailbox@gov.wales
Independent Remuneration Panel for Wales/
Panel Annibynnol Cymru ar Gydnabyddiaeth Ariannol

The IRP has determined that Councils must either pay their members £52 a year for the cost of office consumables required to carry out their role, or alternatively Councils must enable members to claim full reimbursement for the cost of their office consumables.

The Panel has also received confirmation from HMRC that an exemption may be applied (from 5/4/2023) to the flat rate consumables payment. **Where a Council has taken the decision to pay a flat rate reimbursement of £52, then this amount is considered exempt from PAYE arrangements.**

It is advised that you send a short note outlining this to each Councillor and a template letter is attached. I also attach a Frequently Asked Questions note which I hope will help you answer any questions form your councillors. Clerks should also be mindful of any changes of circumstances, for example, when a Councillor ceases working from home, or otherwise are no longer eligible, which would mean these payments no longer fall within the exemptions.

Should you have any queries on the above, please contact [IRP Mailbox.](mailto:IRPMailbox@gov.wales)

Kind regards

Frances Duffy
Chair
Independent Remuneration Panel for Wales

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Letter template to be sent to councillors from Community and Town Council:

Dear Councillor

In carrying out your duties as a Community and Town councillor, the Independent Remuneration Panel for Wales (IRP) recognises that there will be a requirement for you to work from home on a regular basis. In these circumstances, the Community and Town Council will provide a standard contribution to the costs incurred of £156 per annum (or £3 per week). This arrangement falls within the HMRC definition of "homeworking "arrangements and therefore may not be subject to PAYE where the following condition applies:

You must confirm in writing to the Clerk that you regularly work from home on your official duties as a Councillor and that you are not already claiming a tax allowance for home working expenses against another source of income.

The IRP has also determined that Councils must either pay their members £52 a year for the cost of office consumables required to carry out their role, or alternatively Councils must enable members to claim full reimbursement for the cost of their office consumables. Where a Council has taken the decision to pay a flat rate reimbursement of £52, then this amount is considered exempt from PAYE arrangements.