Independent Remuneration Panel for Wales

Community and Town Councils

Frequently Asked Questions on the taxation of Community and Town Councillors remuneration

1. For the tax element of the £156 allowance how far back can this now be reclaimed? **The payment was introduced from April 2023. Any tax paid can be reclaimed from HMRC if the relevant conditions apply.**

2. Do you know if HMRC Tax exemption applies to payments paid to councillors in respect of the 'Attendance Allowance'. **All payments made to councillors are taxable. The *only* exceptions are where the working from home allowance against the £156 payment is appropriate and the £52 consumables exemption is applied.**

3. Is there any further guidance regarding Mayor, Chair and Senior payments, are they now exempt from PAYE? **All additional payments made to councillors are subject to PAYE.**

4. From my understanding of your letter, payments of £156 to councillors are made from payroll, with no tax liability. In other words, councillors are treated as employees? **Councillors are appointed office holders. Whilst not employees, their remuneration is still subject to PAYE rules. Section 316A ITEPA 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 will apply to the £156 payment made under the Determination of the Independent Remuneration Panel.**

5. Councillors have agreed to receive payment of £20 in respect of attendance at monthly council meetings. Could you please confirm if the same PAYE exemption applies to this payment? What about the Chair allowance, currently £500 as well. **Any attendance allowance, as with all other payments, are subject to PAYE. The only exceptions are the £156 and**

£52 mandatory payments, where the conditions for the allowance/exemption are met.

6. Should we ask all Councillors to sign a declaration which states that in paying the £156 allowance tax free, they will not exceed the £26 per month / £312 annual limit imposed by HMRC? The maximum allowance that can be claimed is set at £6 per week / £26 per month / £312 per annum. **Agreed, and this is now more explicit in the template letter.**

7. Please will you confirm that the £156 (formerly £150) allowance should never have been taxed & that all Councillors who have ever had tax deducted should be reimbursed, not just payments relating to 1 April 2023 onwards. If so, do you know what the mechanism for doing this will be for prior years and particularly in regard to councillors who have now resigned? **The payments made to councillors, whether the £150 or the revised £156 have always been taxable, but since 2023, councillors may be eligible for a £156 deduction for the costs of working from home.**

8. How does this impact on the council where councillors have completed a tax return and claimed the working from home allowance & have therefore effectively already had the tax refunded? **Where an individual has claimed the full working from home allowance elsewhere (e.g. against another employment or if self- employed) then they cannot claim it again against this income. This is made more explicit in our Guidance and template letters**.

9. Is the £52 flat expense fee also to be claimed or refused? **As with all remuneration determined by the Panel, an individual councillor may opt out of receiving it.**

10. If they claim the Flat expense fee (for providing a home office), I assume they can still claim out of pocket expenses for items purchased for the council? Examples this year include gate chain, film DVD's for film club which we support, items purchased for minor repairs etc. **– Items paid for by councillors for use by the Council, should be paid for by the Council's central budget. If an individual councillor incurs the expense on behalf of the Council, then subject to appropriate receipts etc., they can be refunded.**

11. How does printer ink get claimed? The Councillor running the film club also prints notices for the Community Notice Boards and will use over £52 worth a year. Sorry, this seems obvious - I assume he just claims as out of pocket. – **The £52 consumables allowance covers consumables used by the Councillor individually. Where they incur expenses on behalf of the full Council, then subject to appropriate receipts etc., they can be refunded.**

.