

allowances if your council has a dispensation from the Inland Revenue for them or you can show that your expenses in carrying out these duties exceeded the value of the payments. If the allowance is not actually paid to you and you cannot use it how you like, it will probably not be treated as taxable income. For instance, the mayor's allowance in some councils is administered by officers and its sole purpose is to make donations to charities nominated by the Mayor.

### **Benefits in kind**

Some councils provide their councillors with equipment, such as mobile telephones, answer phones or computers to use outside the council offices. No tax liability arises if the council provides services for your use at home if the sole reason for providing them is to enable you to perform your duties and any use for private purposes is not significant.

If your council provides you with computer equipment to perform your duties at home, the first £500 is exempt from tax. If your council pays for you to have a telephone installed at home any cash reimbursement for installation or any subsequent rental payments should be subjected to PAYE. However, if it is impossible to apply PAYE, for example because your council pays the telecom provider directly, your council will provide details to the Inland Revenue after the end of each tax year. You will then have to pay tax on the amount paid by the

authority. If your council pays for broadband internet connection to your home solely for council purposes, then the connection costs are exempt from tax where:

- the broadband package has no separate billing or record of access calls
- no breakdown is possible between authority or private calls, and
- where private use is not significant.

However, you will not have to pay tax on benefits in kind if your total annual income from the council (including the value of these benefits) is less than £8,500, if the council requires you only to use the facility or equipment for council business, or the council has obtained a dispensation from the Inland Revenue for them.

### **Offsetting expenses**

In calculating how much of your income from any of these allowances is taxable, you are allowed to offset some expenditure. Only expenses which are not reimbursed by the council can be offset. No expenses can be offset if you could have avoided them by using council services eg postage and stationery.

### **Expenses other than travel expenses**

You must show that the expenses have been wholly, exclusively and necessarily incurred in the performance of your duties. It is therefore very important to

keep receipts and invoices and some kind of running account of what you spend. It is worth keeping a monthly record of all your expenditure showing which costs were and were not reimbursed by the council. You then have a basis for proving to the Inland Revenue how much you have spent on necessary expenses which have not been reimbursed.

The following is a list of expenses you may be able to claim for.

- Travelling and hotel expenses (if not reimbursed by the council).
- Postage and stationery (if not reimbursed by the council).
- Use of your home as an office – if you do a lot of constituency and other work at home, and use a specific room for this purpose, you ought to claim a proportion of the total upkeep eg rent, light, heat, insurance, cleaning, repairs to furniture. The Inland Revenue has agreed a standard deduction of £135. If you want to claim more, you will have to justify the excess amount.
- Telephone calls (if not reimbursed by the council).
- Secretarial assistance.
- Hire of rooms for surgeries or public meetings (but not party political meetings).
- Fees and subscriptions paid to professional bodies that are listed in the Inland Revenue's booklet 'List 3'.

You may also be able to claim for subscriptions to trade unions or political bodies – such as the relevant Association of Councillors.

- Journals and publications of professional bodies, which are relevant to your work as a councillor.
- Clothing and footwear – but only if you can show they are wholly, exclusively and necessarily incurred for your council duties. Guidance suggests that only expenditure on a distinct uniform will qualify eg maintenance of a mayor's regalia.

Expenses for political purposes such as electioneering or campaign meetings cannot be offset against taxable income.

#### Travel expenses

You can claim a deduction for any travel expenses not already reimbursed by the council for journeys which you necessarily have to do in the performance of your duties as a councillor. In each case, the allowable expenses include any necessary subsistence and accommodation expenses attributable to the journey.

However, you must show that any expenditure has been actually incurred. So, for example, if you are away overnight on council business but find it more convenient to stay with friends rather than incur hotel bills then you will be not be able to claim a deduction.

You may claim for travelling between the local authority offices and a place you need to visit on local government business. You may also include travel between your home and the council offices, but only if you can show that you have to use your home to undertake representative duties on behalf of the council – which most councillors do (see below).

If you use public transport you can deduct the amount actually spent, less any reimbursement received from the council. If you use your own vehicle, or cycle, the amount you can deduct is limited by law.

#### *Council payments which are not taxable*

Whether you will have to pay tax on a mileage allowance paid by your council will depend on the mileage rate paid. The Inland Revenue publishes tax-free mileage rates, related to engine size, each year and, broadly speaking, only payments in excess of these rates will be treated as profit and will therefore usually be taxable.

The following payments and allowances are usually not taxable.

- Travel allowances which are a reimbursement of actual receipted expenditure (such as public transport or taxis) should not be taxable.

- If you use your own car on council business, the council can pay you tax-free up to 40p per business mile for the first 10,000 miles per year, and 25p per business mile above that. There are similar mileage rates for all business mileage using motor cycles (24p) or pedal cycles (20p). If the council pays you more than this, the excess is taxable. If the council pays you less, you can deduct the difference from your taxable income. This is a statutory scheme, so you cannot claim the actual expenses of running the car, such as fuel, insurance, servicing, road tax, repairs, loan interest and depreciation, even if they exceed these amounts.

- Councillors are accepted by the Inland Revenue as normally having two places of work – at the council offices and in your electoral area. Often councillors need to use their own homes to carry out their council duties, for example to see constituents. Most councillors can show that they do some of their duties from their home, such as seeing constituents and responding to correspondence.

If you can show that you have to use your own home to undertake representative duties on behalf of the council then travel between home and the council offices or some other place on council business counts as business mileage.

Travel allowances paid to cover journeys between home and your councillor duties, whether at the council's offices or elsewhere, should therefore qualify for tax relief in the same way as any travel from the council's offices to other approved duties.

Day subsistence allowances are not taxable unless they cover attendance at the offices where the council's meetings or committees normally take place. Overnight or conference subsistence allowances are not taxable as long as there is no profit element.

- \* Any payments which reimburse you for amounts, for example, on postage or telephone calls, which you can prove you have incurred in carrying out your duties, should not be taxable.

#### *Benefits that are taxable*

Some benefits are taxable but others are not.

If your only income comes from councillors' allowances and any of the benefits listed in column B of Table 1, you will not have to pay income tax unless your taxable income from the council is above your personal tax allowance.

Table 1 Which benefits are taxable?

A Benefits which are taxable	B Benefits which are tax-free
Industrial Death Benefit	Disability Living Allowance
Carer's Allowance	DWP Attendance Allowance
Retirement Pension	Child Benefit
Widowed Mother's Allowance	Child Tax Credit
Widowed Parent's Allowance	Working Tax Credit
Widow's Pension	Housing Benefit
Bereavement Allowance	Council Tax Benefit
Job Seeker's Allowance	Income Support
Statutory Sick Pay	Pension Credit
Statutory Maternity Pay	Maternity Allowance
Statutory Paternity Pay	Incapacity Benefit (first 28 weeks)
Statutory Adoption Pay	Severe Disablement Allowance
Incapacity Benefit after 28 weeks*	Industrial Disablement Benefit and Reduced Earnings Allowance

\* Anyone who transferred from Invalidity Benefit on 13 April 1995 and has been getting long term Incapacity Benefit continuously since then pays no tax on this benefit.