

Assets

This factsheet is designed to explain the tax treatment of company assets provided to employees for personal use and the associated implications of this.

Where an asset is provided to an employee for private use the employee is taxed as receiving a benefit in kind, which also means the company has to pay additional class 1A national insurance.

The benefit in kind value of the asset is calculated by taking the greater of:

- 1) The asset's annual value (20 per cent of its market value when you first provided it as an employee benefit)
- 2) Any annual rental or hire charges the company pays for it.

Then adding any other costs incurred during the year in relation to making the asset available to the employee i.e. running costs to give the overall benefit in kind value for the year.

For Example:

ABC Limited provides a Television to one of their employees, Mr Bloggs. The Television cost ABC Limited £1,600 and it was first provided to Mr Bloggs on the day they purchased the Television.

The asset's benefit in kind value is £320 being the greater of its annual value ($£1,600 \times 20\% = £320$) and the annual rent that is paid (£nil). Nothing is added to this as no annual costs are paid by the company.

The benefit in kind is apportioned where the asset is only available for part of a year but the tax charge continues to be payable for as long as the asset is made available.

Tax Consequences

The employee pays tax at their highest rate on the benefit in kind value. Therefore if they are a higher rate taxpayer and have a new asset costing £1,600 (as per above) the extra tax they would pay would be £128 per annum. ($£1,600 \times 20\% \times 40\%$).

The company would also pay 13.8% Employers National Insurance on this benefit amount as declared on the P11d and this is payable by 22nd July after the end of the tax year.

Please also remember that the invoice for the asset must be in the company name and should be paid direct from the company account. You may also need to take out additional business insurance to cover the asset whilst in the employees hands, although the employee may be able to cover the asset under their own home insurance policy.

Please ensure that you advise the office if you provide any employees with a company motorbike or any other asset/benefit in kind.



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