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HMRC UPDATES GUIDELINES ON PRIVATE COMPUTER USE

By Hillier Hopkins LLP

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Home Counties based chartered accountants and tax advisers are issuing a reminder to all employers, in all sectors, of the newly updated guidelines issued by HM Customs and Revenue (HMRC) on the private use of computer equipment.

Prior to the Finance Act 2006, employers were permitted a £500 tax exemption for any computer equipment provided to an employee in order that they may continue their employment duties at home. With the first £500 or 'bottom slice' of the annual costs free of tax, businesses using second-hand equipment incurring yearly running expenses that did not exceed £500, often did not have to report any benefit at all.

HMRC, however, recently decided to abolish the incentive on account of a perceived misconduct, with employers deceptively using the incentive to provide employees with unnecessary products such as MP3 players, games consoles and other more fun-focused technology.

Under the new legislation, labelled Section 316, 'use for private purposes' now covers any use that is not under the usual duties of the employee's employment. Tax assets or services provided by an employer in the employee's home will strictly only be exempt from tax where there is not significant private use.

Martin Culshaw, partner at Hillier Hopkins, comments: "The new set of guidelines set out to strongly distinguish between what is termed 'insignificant private use' and 'significant private use', the latter meaning when private use seems to override the preliminary purpose of employment duties.

"Although it is obviously difficult for employers to monitor and distinguish activity outside of the office, they should try to ensure compliance as much as possible. This can be achieved by building company awareness on the policy, checking work achieved outside of the office and regulating Internet access. Such simple measures can save on time and money."

The Finance Bill 2006 was published on 7th April.

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Source: <http://www.hmrc.gov.uk/manuals/eimanual/EIM21613.htm>