

FINANCE ACT 2015

EXPLANATORY NOTES

INTRODUCTION

Section 12: Abolition of Dispensation Regime

Summary

1. This section amends the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) to abolish the “dispensations regime” from 6 April 2016 as part of the replacement of that regime with a new exemption for amounts that would otherwise be deductible. It also preserves HMRC’s power to revoke dispensations issued prior to the abolition of the regime.

Details of the Section

2. Subsections (2) and (3) repeal sections 65 and 96 ITEPA respectively, which govern the application for, issue of, and revocation of dispensations.
3. Subsection (4) makes a number of consequential amendments to ITEPA as a result of the omission of sections 65 and 96.
4. Subsection (5) sets out that the amendments come into force from 6 April 2016.
5. Subsections (6) to (8) preserve HMRC’s powers to revoke dispensations retrospectively in respect of dispensations that are in place prior to 6 April 2016.

Background Note

6. Unless an employer holds a dispensation from HMRC, the value of deductible expenses and benefits which are paid or reimbursed by an employer have to be reported on form P11D – employees can then claim for tax relief on that expense and/or benefit. This leads to unnecessary administrative burdens for employers and employees, and processing costs for HMRC where there is no tax to collect.
7. In response to recommendations from the Office of Tax Simplification as part of their general review of employee benefits and expenses, an exemption is being introduced with effect from 6 April 2016 for paid or reimbursed deductible expenses and benefits. As a result there will be no need for dispensations once the exemption becomes effective.
8. This legislation repeals legislation relating to the dispensations regime. However, that legislation also includes a power for HMRC to revoke dispensations retrospectively. As HMRC may still need to exercise that power after the new exemption comes into force in respect of dispensations in place prior to 6 April 2016, this section includes a savings provision in respect of that power.