



27 October 2023

Dear Clerk

Community and Town Councils - Councillor Allowances - Homeworking arrangements and consumables

The Panel has received the following guidance from HMRC, regarding the treatment of tax on councillor allowances:

Section 316A of the Income Tax (Earnings and Pensions) Act 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. **The exemption only applies to the £156 payment made under the Determination of the Independent Remuneration Panel.** It does not exempt any additional household expenses that a Councillor may seek to claim.

The following two conditions must apply to the exemption:

1. The first provision is that there must be a formal arrangement between the individual councillor and Community and Town Council.
2. Secondly, each individual councillor must declare they work from home regularly under these arrangements. This arrangement should be set out and a template letter is attached for your use.

The IRP has determined that Councils must either pay their members £52 a year for the cost of office consumables required to carry out their role, or alternatively Councils must enable members to claim full reimbursement for the cost of their office consumables.

The Panel has also received confirmation from HMRC that an exemption may also be applied (from 5/4/2023) to the flat rate consumables payment. **Where a Council has taken the decision to pay a flat rate reimbursement of £52, then this amount is considered exempt from PAYE arrangements.**

It is advised that you send a short note outlining this to each Councillor and a template letter is attached. Clerks should also be mindful of any changes of circumstances, for example, when a Councillor ceases working from home, or otherwise are no longer eligible, which would mean these payments no longer fall within the exemptions.

Should you have any queries on the above, please contact [IRP Mailbox](#).

Kind regards



Frances Duffy
Chair
Independent Remuneration Panel for Wales

Letter template to be sent to councillors from Community and Town Council:

Dear Councillor

In carrying out your duties as a Community and Town councillor, the Independent Remuneration Panel for Wales (IRP) recognises that there will be a requirement for you to work from home on a regular basis. In these circumstances, the Community and Town Council will provide a standard contribution to the costs incurred of £156 per annum (or £3 per week). This arrangement falls within the HMRC definition of "homeworking" arrangements and therefore will be exempt from PAYE.

The IRP has determined that Councils must either pay their members £52 a year for the cost of office consumables required to carry out their role, or alternatively Councils must enable members to claim full reimbursement for the cost of their office consumables. Where a Council has taken the decision to pay a flat rate reimbursement of £52, then this amount is considered exempt from PAYE arrangements.