Tax relief for those self-funding work-related training

OMB Personal tax

01 August 2018

The ATT and CIOT have recently responded to a consultation on how best to extend the tax relief available to individuals paying for their own work-related training who cannot obtain relief under current rules.

The ATT and CIOT have responded to the HMRC consultation on the taxation of self-funded, work-related training costs. The consultation looked at ways that tax relief could be extended to those who are paying for their own work-related training, but not currently receiving tax-relief for those costs.

At present, the rules for tax relief on training costs depend on whether the individual is employed or self-employed. An employed individual can have work-related training paid for by their employer or be reimbursed for training costs by their employer without any tax consequences. However, if an employee pays for their own training costs which are not subsequently reimbursed by their employer, there are only very limited circumstances in which that individual can obtain tax relief. For the self-employed, relief is generally allowed where the costs are incurred to update the individual's existing skills, but denied if the individual invests in training to develop new skills.

Responses to last year's call for evidence on employee expenses suggest that many people consider that for relief to be denied in the above situations is unfair. Equally, the government is keen to encourage more individuals to undertake training to upskill, change career or earn more money, and therefore the consultation sought views on how to support more individuals to undertake good quality training.

As educational bodies, both the ATT and CIOT appreciate the importance of developing and maintaining appropriate skills and obtaining high quality qualifications.

In its response, the ATT highlighted the importance of ensuring that, as far as possible, there is a level playing field for tax-relief for training costs for the employed and self-employed. Illustrating the case by reference to the CPD requirements of our members, and highlighting how some employed members have to self-fund some of their CPD, the response stressed the importance of ensuring that any extension to existing reliefs is available for maintaining existing skills as well as for developing new skills.

In its response, the CIOT thought that any changes to allowable work-related training should apply equally to current or future employment and self-employment. And that the rules should encompass both maintaining and updating existing skills and knowledge and upskilling and retraining. We suggested adapting the existing definition of work-related training at ITEPA 2003, section 251 so that designated training includes training which will prove useful when performing the duties of a current or future employment, and which is not undertaken wholly or mainly as a recreational or leisure activity, and which constitutes an approved course of study.

The CIOT also thought that there may other ways to relieve individuals of the cost of self-funded work-related training other than using the tax system, such as extending the scope of advanced learner loans, and grants and bursaries etc. The suggestion we put forward was to introduce a ‘training credit’ system to provide an upfront credit equivalent to the basic rate of income tax as this could provide a greater incentive to retrain and upskill than the existing tax relief system, especially for the lower-paid who may pay little or no tax and where cash-flow is likely to be a key issue.

The full ATT response can be found on the ATT website and the full CIOT response on the CIOT website.