Do you have any clients in receipt of an Access to Work grant?

General Features

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Despite there being various tax and accounting implications to be aware of, there is very little factual guidance from HMRC or Department for Work and Pensions for recipients of Access to Work grants.

The Access to Work scheme is run by the Department for Work and Pensions (DWP) and gives grants to help disabled people start working or stay in work. This includes self-employment. Access to Work grants can be used to pay for a wide range of things such as special equipment and taxi fares to work. Often they are used to provide a support worker to help in the workplace.

For employees, an employer may receive part of the grant, for example to cover expenses of equipment that they provide or to employ a support worker. The employee will not be taxed on the value of those items or cost of providing a support worker as a benefit in kind. The tax rules specifically prevent a tax charge arising in those circumstances via the Income Tax (Benefits in Kind) (Exemption for Employment Costs Resulting from Disability) Regulations 2002, SI 2002/1596.

If an individual receives Access to Work funding directly, for example for travel costs, they do not need to report anything to HM Revenue & Customs (HMRC) as the grant is not taxable income if it is expended entirely on the costs it is intended to pay for. However, if it is used to take on a support worker, it could result in obligations on them as an employer. Our separate website Disability Tax Guide gives more information to disabled people in receipt of government money to take on their own care and support, on how to deal with becoming an employer.

Where a grant is paid to a self-employed person, not only might they become an employer if it is used to take on a support worker, but there are considerations for their business in terms of accounting for the Access to Work grant.

As there is no specific exemption from tax for Access to Work grants, broadly they would have to rely on normal accounting practice which suggests that government grants have to be accounted for in the business accounts (as set out in section 24 of FRS102).

By and large, the inclusion of the grant as income will often match with the expenditure towards which it was intended to contribute, so should mean there is no effective tax charge. Confusion might occur however, where the cost of support provided to the individual does not match the amount of the grant, for example where Access to Work scheme has approved a cost of £200 for a certain piece of equipment but the individual wishes to choose a more expensive model for £300.

LITRG think that unrepresented taxpayers are largely ignorant of what is required under all these rules and regulations, primarily due to the lack of guidance provided by DWP and HMRC. We have the opportunity to raise this again when we attend the Access to Work stakeholder forum in January 2019.

Have you ever taken on a client in receipt of an Access to Work grant? Have they understood the implications? Were there any messy compliance issues to unpick? Please do contact us with any relevant experiences, as these will be very useful to take to the forum and to also feed into our work more generally.