ATT budget representation on COVID-19 Testing

Employment Tax | Personal tax

03 March 2021

The Association of Taxation Technicians has submitted a budget representation calling for an extension to the temporary income tax and NIC exemptions for employer-provided COVID-19 antigen tests.

Coronavirus antigen tests determine whether an individual has an ‘active’ case of coronavirus. HMRC’s view is that if the employer pays for such a test, they are providing a benefit equal to the cost of the test. This benefit is taxable when the employer bears the cost upfront, as HMRC considers none of the existing exemptions from the benefits legislation applies. It is similarly taxable if the employee incurs the cost and the employer reimburses it, as HMRC does not view such tests as wholly, exclusively and necessarily for the purpose of the employee’s duties. Since the cost of a test is generally in excess of £50 (so that the trivial benefits rules do not apply), this could result in income tax/NIC consequences for employee and employer and additional administration for the employer.

In the final two months of 2020, the government published two policy papers to confirm that where an employer pays for or reimburses an employee for a coronavirus antigen test, this will not be treated as a benefit. However, these exemptions are temporary and only apply until 5 April 2021.

In the current situation, we consider that these income tax and NIC exemptions need to be extended to at least 5 April 2022 – and potentially beyond that. There is no public benefit in discouraging employers from paying for employees’ tests.
In our budget representation, the ATT suggested the government could go further, and that there would be a public benefit in introducing a wider-ranging and enduring exception from taxable benefits for employers who fund employee testing for any highly transmissible disease.

The ATT’s budget representation can be read at www.att.org.uk/ref367.