

**EXPLANATORY MEMORANDUM TO  
THE INCOME TAX (EXEMPTION OF MINOR BENEFITS) (AMENDMENT)  
REGULATIONS 2012**

**2012 No. 1808**

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs (HMRC) on behalf of the Treasury and is laid before the House of Commons by Command of Her Majesty.

**2. Purpose of the instrument**

2.1 This instrument amends the Income Tax (Exemption of Minor Benefits) Regulations 2002 (S.I. 2002/205) with effect from 6<sup>th</sup> April 2013 to remove the tax exemption on food or drink provided by an employer to an employee in recognition of the employee having cycled to work on designated days.

2.2 This instrument also amends the Income Tax (Exemption of Minor Benefits) (Amendment) Regulations 2003 (S.I. 2003/1434).

**3. Matters of special interest to the Select Committee on Statutory Instruments**

3.1 None

**4. Legislative Context**

4.1 These Regulations are made by the Treasury under section 210 of the Income Tax (Earnings and Pensions) Act 2003.

4.2 Where an employer provided food or drink to an employee who cycled into work on a designated day, this was exempt from income tax. This instrument removes the income tax exemption.

**5. Territorial Extent and Application**

5.1 This instrument applies to all of the United Kingdom.

**6. European Convention on Human Rights**

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

**7. Policy background**

- *What is being done and why*

7.1 The Office for Tax Simplification (OTS), an independent body set up in July 2010, was asked by the Government to consider whether tax reliefs contained within the taxes legislation still served any purpose. The OTS identified a number of tax reliefs where the evidence was that they were either otiose or little used and which they thought could be abolished.

7.2 Following the OTS's recommendations to the Chancellor, the Treasury consulted on the abolition of 36 reliefs, including the tax relief on the minor benefit of what were commonly known as cyclists' breakfasts. As no compelling reasons were given to keep this particular tax relief, it was decided that it should be abolished with effect from 6<sup>th</sup> April 2013.

7.3 The Government announced the changes on 6<sup>th</sup> December 2011. These Regulations give effect to that announcement.

## **8. Consultation outcome**

8.1 The Treasury carried out a consultation exercise which was completed on 31<sup>st</sup> August 2011. The result of that consultation was that there was no reason to keep this particular tax relief.

## **9. Guidance**

9.1 The change was announced on 6<sup>th</sup> December 2011 and the relevant HMRC guidance will be amended in line with these Regulations.

## **10. Impact**

10.1 The impact on business, charities and the voluntary sector is negligible. Our evidence is that the relief was little used.

10.2 No impact on the public sector is foreseen.

10.3 A Tax Information and Impact Note covering this instrument was published on 6<sup>th</sup> December 2011 alongside the autumn statement and is available on the HMRC website at <http://www.hmrc.gov.uk/thelibrary/tiins.htm>. It remains an accurate summary of the impacts that apply to this instrument.

## **11. Regulating small business**

11.1 The legislation applies to small businesses.

11.2 The removal of the exemption by this instrument is designed to help small businesses by reducing complexity in the tax system. The time and cost involved in providing the cyclists' breakfasts were disproportionate to the benefit gained, which was negligible.

11.3 Nevertheless, to minimise the impact of the requirements of removing the exemption on firms employing up to 20 people, the approach taken is for

HMRC to amend their external guidance to support employers and employees. HMRC has regular contact with industry groups which include representatives of small business, such as the Benefits and Expenses sub-group. Moreover, there is no indication that employers would have any difficulty in implementing the change.

## **12. Monitoring and Review**

12.1 This policy will be monitored and assessed alongside other measures in the Government's package of personal tax and benefits changes.

## **13. Contact**

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