

THE STATES OF DELIBERATION

of the

ISLAND OF GUERNSEY

7th November, 2023

Proposition No. P.2023/114

Policy & Resources Committee

The States of Guernsey Budget for 2024

AMENDMENT

Proposed by: Deputy H L de Sausmarez

Seconded by: Deputy A Gabriel

To insert the following Proposition:

“Noting that there are currently exemptions and limitations for employer-provided benefits relating to motor vehicles but none relating to public transport or non-motorised vehicles, to direct that with effect from 1 January 2024, to exempt from income tax the following if provided by employers:

- a. Bus passes (including when made available for the employee’s private use);
- b. Bicycles (including e-bicycles, and including when made available for the employee’s private use); and
- c. Mileage paid to an employee who is required to use his/her own bicycle (including e-bicycle) for business use, in line with the rates stipulated in Statement of Practice E17.”

Rule 4(1) Information

- a) This proposition contributes to the States objectives and policy plans by supporting the Integrated Transport Strategy, the Energy Policy, the Climate Change Policy, the Strategic Land Use Policy, the Healthy Weight Strategy and Active8, as well as broader economic productivity objectives and sustainable development principles.
- b) In preparing this proposition consultation has been undertaken with the Health Improvement Commission and business and community organisations that promote or support health, the economy and sustainable transport, and advice was also received from the Treasury team.
- c) The proposition has been submitted to His Majesty’s Procureur for advice on any legal or constitutional implications.
- d) Treasury believe that there would be minimal financial implications.

Explanatory note

This amendment seeks to rectify an anomaly within the Benefit in Kind (BIK) legislation that undermines wider States policies.

Currently, employer-provided benefits such as free or subsidised public transport fares or free or subsidised bikes are considered a taxable benefit in kind, whereas the following do not give rise to a benefit in the context of BIK regulations and are therefore exempt from income tax:

- free or subsidised car parking (other than parking provided at, or near, the employee's place of residence, which is used principally for private purposes);
- any motor vehicle used only in the performance of the employee's duties; and
- any motor vehicle used in the performance of the employee's duties and between his place of residence and normal place of work, if he's required to use the motor vehicle for business purposes outside of his employer's normal hours. Examples would be an employee on call out duties and an employee who goes straight onsite without first reporting to the firm's place of business.

Further, motorbikes, vans, lorries and commercial vehicles are zero-rated in terms of BIK, and the following are deemed to give rise to a limited benefit and therefore pay income tax on a deemed benefit of £1,475 (2024 rate):

- cars where the private usage is limited to travel to and from the place of work;
- cars where the business usage is more than 75% of total usage;
- cars where they form part of a carpool; and
- other motor vehicles, made available for the employee's private use.

Further, cars provided by employers to employees for any other purpose are liable for income tax at the following rates (2024) of deemed benefit:

Cost of Car	Amount of Benefit
Less than £10,000	£4,435
£10,000 - £19,999	£7,390
£20,000 or over	35% of cost

Further, where a mileage allowance of 80 pence or less per mile (2023 rate) is paid to an employee who is required to use his/her own car for business use, it's accepted that no personal benefit arises and the allowance may be paid without deduction of income tax.

However, under the current regulations, neither public transport nor non-motorised vehicle costs are exempt or zero-rated as a BIK in the way that parking and motorised vehicles are. This gives rise to a perverse situation where an employee that is provided a motorbike (including or even primarily for their own private use) does not have to pay income tax on its value, but an employee that is provided a bus pass or bike would be liable to pay income tax on it as a benefit (on anything over and above the existing

exemption threshold, which may have anyway been exhausted on benefits such as gym memberships, social events and staff entertainment).

A number of States policies, including the Integrated Transport Strategy, the Energy Policy, the Climate Change Policy, the Healthy Weight Strategy and Active8, support and promote the greater use of public transport and active travel. Increased uptake of both public and active modes of transport has economic, social and environmental benefits including (but by no means limited to) greater economic productivity, lower energy demand, reduced congestion, improved public health and less air, noise and water pollution.

The current BIK legislation inadvertently incentivises the use of private motorised vehicles and disincentivises public transport and non-motorised vehicles, which contradicts and undermines States policy.

Many other jurisdictions use their tax system to encourage the greater uptake of non-motorised travel, for example the UK's long-running, popular and successful Cycle 2 Work Scheme¹, which has benefits for both the employer and the employee. Exempting/zero-rating public transport and bikes will encourage and enable more employers and employees to benefit in a similar way. (Local bike retailers can already facilitate similar schemes for Guernsey employers, but tax-exemption helps to make such schemes more attractive.)

Because the value of bus passes, bikes and bike mileage is very low relative to motorised equivalents, Treasury estimate that the financial implications of this amendment would be minimal.

This proposal is supported in principle by the Health Improvement Commission, the Chamber of Commerce, Living Streets, GBG (Guernsey Bicycle Group), the Better Journeys Project, and the Travel Plan Co-ordinator for Admiral Park Plaza.

¹ [Cycle to Work Scheme guidance for employers \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/421211/cycle-to-work-scheme-guidance-for-employers.pdf)