



HM Revenue
& Customs

490

Employee travel

A tax and NICs guide for employers

This guide sets out HM Revenue and Customs (HMRC) approach in applying the legislation on employee travel. The guide itself has no binding force in law and does not affect any right of appeal by either party.

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Chapter 1 - Introduction

1.1

This guide describes the tax and National Insurance contributions (NICs) treatment of business travel by employees. It explains what counts as 'business travel' and, for employees other than those using their own vehicles, the kinds of expenses which qualify for tax relief. See booklet 480 'Expenses and benefits – a tax guide' Chapter 16 for information about tax relief for mileage expenses in an employee's own vehicle. It applies to all employers who pay travel expenses whether:

- by reimbursing employees' business travel costs
- by paying directly for business travel for employees
- by providing travel facilities for employees

1.2

References throughout the guide to 'employees' apply equally to 'office holders' and 'agency workers', where income from the office in question is subject to tax as employment income.

Travel expenses include subsistence costs attributable to the journeys.

Overview

1.3

All income that an employee receives from their employment is taxable. This includes pay, benefits in kind (such as company cars) and any expenses payments (including payments relating to business travel). However, where the employer reimburses expenses incurred in the performance of the duties of the employment, payment should be made gross, with the employee claiming tax relief.

1.4

Tax relief is available in 2 ways, by exemption or by deduction.

By **exemption** – certain payments or benefits in kind that an employee receives are exempt from tax. This means they are not taxable. Where a payment or benefit in kind is exempt, employers do not need to report the amount to us and employees do not have to apply for tax relief.

By **deduction** – certain amounts can be deducted from an employee's total income before arriving at the amount on which he or she will be taxed. Where tax relief is available by deduction, the employer must report expenses payments or benefits in kind to us, and employees need to apply to their HMRC office for further tax relief. Some deductions also provide tax relief where employees meet the cost of expenses themselves without reimbursement.

This guide uses the term 'tax relief' to cover both tax relief available by exemption and tax relief available by deduction.

1.5

It is important to remember that the tax rules determine the amount on which tax relief is due. They **do not** determine the level of payment or provision an employer can or should make. So the full cost of a business journey may be more or less than the expenses paid or met by the employer.

1.6

In most cases the same general rules apply where an employee personally pays for the travel or where the cost of the travel is met by the employer, or a third party by reason of the employment.

For example, the same general rules apply where:

- the costs are reimbursed
- the costs are met directly on the employee's behalf
- vouchers (such as travel tickets) or credit tokens are provided to the employee
- travel facilities (such as accommodation) are provided direct to the employee

The basis of tax relief for employee travel and subsistence

1.7

Employees are entitled to tax relief for the full cost they are obliged to incur travelling in the performance of their duties or travelling to or from a place they have to attend in the performance of their duties – as long as the journey is not ordinary commuting or private travel. The following chapters explain how these rules apply in practice.

There are special rules for working out the tax relief on motoring expenses paid to employees who use their own vehicles for business travel - see paragraph 9.12 on page 54.

National Insurance contributions

1.8

For National Insurance contributions (NICs), the position depends on how the travel costs are met. Where the employer makes payments of, or towards business travel that are reasonable, they will be left out of the calculation of earnings when determining the earnings-related contributions due. So there would be no question of a NICs liability where an employer makes a travel payment which does no more than reimburse an employee for the **full** cost of business travel. However, if an employer reimburses the cost of, or directly pays for, travel arrangements which do more than that, there is a Class 1 NICs liability to be accounted for through the payroll in the relevant pay period.

Ian purchases a train ticket for a business journey for £87. His employer reimburses him the full £87. No NICs liability arises.

If instead of reimbursing Ian £87, his employer makes him a payment of £100, there is a profit element of £13 which should be added to his other earnings in that pay period for Class 1 NICs purposes.

As with the rules for tax, there are special rules for working out the NICs on motoring expenses paid to employees for using their own vehicles for business travel - see paragraph 6.3 on page 41.

1.9

Where an employer arranges or provides travel facilities for an employee, if the benefit is exempt from tax it will also be exempt from Class 1A NICs. Where Class 1A NICs are due they must be accounted for in the same manner as any other Class 1A NICs which the employer is due to pay.

For more information on NICs, go to Chapter 6 of this guide.

Chapter 2 - Whether or not travel qualifies for tax relief

2.1

The term 'travel expenses' includes the actual costs of travel together with any subsistence expenditure and other associated costs that are incurred in making the journey. The meaning of subsistence is covered in detail in paragraph 5.4.

In most cases, tax relief is available for the full cost of business travelling expenses, except where motoring expenses are paid to employees who use their own vehicles for business travel, in which case special rules apply - see paragraph 9.12.

Business travelling expenses are travelling expenses which are incurred on:

- journeys which employees **have to** make in the performance of their duties (travel in the performance of the duties)
- journeys which employees make to or from a place they **have to** attend in the performance of their duties (travel to a place where attendance is in the performance of the duties) – but not journeys which are ordinary commuting or private travel

2.2

Tax relief is available only where travel is in the actual performance of the duties or where it is necessary – in a real sense – for the employee to attend the particular place on that occasion to perform the duties of their employment.

Travel in the performance of the employee's duties

2.3

The sort of travel that qualifies for tax relief on this basis is travel that is 'on the job', as distinct from travel 'to the job'. The most common example is travel between one workplace and another in connection with a single employment. The cost of such travel is incurred in actually carrying out the duties of the employment, although the treatment may be different where

one of the workplaces is the employee's home. For detailed guidance on when relief is available where the employee's home is a workplace see paragraph 3.36.

Example

Amanda is a senior manager in a sales consultancy company. She manages teams in offices in Leicester and Nottingham and is regularly required to travel between the two. Tax relief is available for the full cost of the travel between the 2 workplaces because it is undertaken in the performance of Amanda's duties. No relief is available for travel from her home to the offices or her return home from the offices as this is ordinary commuting (see paragraph 3.1).

2.4

Another example is where travel is integral to the performance of the duties. Typical examples are a commercial traveller, or a service engineer who moves from place to place during the day carrying out repairs to domestic appliances at clients' premises. Such employees are sometimes described as having travelling appointments.

Example

Tony is a service engineer working for a company that services and maintains white goods for the commercial sector. He visits up to 10 customers each day throughout the UK. He has no normal workplace and is emailed his job list each evening for the following day. Travel is an integral part of his job and he carries out the duties of his employment at each customer's premises. Tax relief is available for the cost of all Tony's business travel, including from his home to his first appointment and from his last appointment to his home.

Travel to a place where attendance is in the performance of duties

2.5

This category covers journeys an employee makes to or from a place he or she **has to** attend to carry out duties of that employment. Such places are referred to as 'temporary workplaces'. This is explained at paragraph 3.13, but a typical example might be where an employee has to travel directly between home and a client's office. It excludes journeys that constitute 'ordinary commuting' or 'private travel'. The meaning of ordinary commuting and private travel are explained at 3.2.

2.6

To get relief for the cost of travel, the employee's attendance at the temporary workplace has to be necessary in the sense that it is dictated by the requirements of the duties of the employment and not, in any way, by the personal convenience of the employee. Similarly, an employer cannot turn an ordinary commuting journey into a business journey by requiring an employee to stop off on the way to carry out business tasks such as making phone calls. Paragraphs 4.3 to 4.5 explain this in more detail.

Example

Belinda is a purchaser for a major retailing company. Although she has a permanent workplace in Doncaster, she has to spend several days each month visiting suppliers all over the country, often travelling directly to and from home. Tax relief is available for the full cost of her business travel to suppliers, but not for her travel to her permanent workplace in Doncaster because that is ordinary commuting.

Travel between employments

2.7

Generally, where someone has 2 employments, the duties of which are performed at different places, there is no tax relief available for the cost of travelling between those places.

But tax relief is available in the case of people who:

- hold employments with more than one company in a group (see paragraph 2.8)
- hold employments with more than one associated company (see paragraph 2.9)
- have more than one employment and the duties of one of them are performed wholly or partly overseas (see paragraphs 7.4 to 7.7)

Example

Ahmed has 2 separate employments. Each morning he travels from his home in Shepherd's Bush to his job as a shop assistant in Central London. Each evening he travels directly from that workplace to Fulham where he works in a bar. He travels home to Shepherd's Bush at the end of the day. There is no tax relief available for the cost of Ahmed's travel to and from or between his 2 jobs.

Travel between separate employers within a group

2.8

Someone who is an employee of 2 companies within a group of companies may be entitled to tax relief for the cost of a journey between workplaces for the performance of the duties of those separate offices or employments.

For this purpose, we regard companies will be regarded as being members of the same group if one is at least a 51% subsidiary of the other, or both are at least 51% subsidiaries of a third company.

Example

Elaine is an employee of company A. She is also an employee of companies B and C. Company A has a 51% holding in company B and a 51% holding in company C. Tax relief is available for the cost of Elaine's travel between various workplaces for the performance of the duties of the 3 employments.

Example

Christopher is an employee of company X and company Y and a director of company Z. Company Z is an 80% subsidiary of company Y and company Y is an 80% subsidiary of company X. Company X has no direct holding in company Z. Tax relief is available for the cost of Christopher's travel between company X and company Y and between company Y and company Z. In each case, the direct 80% holding makes the companies part of the same group. Tax relief is also available for the cost of travel between company X and company Z - although there is no direct holding, the indirect holding of 64% (80% x 80%) qualifies for the purpose of the group test.

Travel between linked employments

2.9

Someone who is a director of a company and who is also an employee of an associated company may be entitled to tax relief for the costs of travelling in the UK incurred on journeys between the workplaces of either of the companies for the performance of the duties of either employment.

For this purpose, company X is an 'associated company' of company Y if the employee of company Y was appointed as a director of company X because Y (or another company in Y's group) has a shareholding or other financial interest in X.

Example

David is an employee of company A and a director of company B. Company A has a 40% shareholding in company B and so has a place on B's board. Tax relief is available for the cost of David's travel between his workplace with company A and his workplace with company B where his travel is made for the performance of his duties of either employment.

Joint projects

2.10

Two or more employers may act together on a particular project. Sometimes they will form a joint enterprise for this purpose. An employee of either of them whose duties require him or her to act for the joint enterprise is entitled to tax relief for business travel.

Example

Bricks Inc and Mortar Inc work together on a project to build a new industrial development. They operate through a company Project Inc (set up solely for this purpose) in which they each have a 50% holding. Claire is responsible for managing the project. At all times she remains and acts as an employee of Bricks Inc. Project Inc pays Bricks Inc for Claire's services.

Claire is entitled to tax relief for the cost of her travel between Bricks Inc and Project Inc and between either of these companies and Mortar Inc - not because they are members of a group (they are not), but because she is travelling in the performance of the duties of her employment with Bricks Inc.

Chapter 3 - Ordinary commuting and private travel

3.1

An employee cannot have tax relief for the cost of a journey which is ordinary commuting or private travel. The following paragraphs explain what these terms mean.

What is ordinary commuting?

3.2

The term 'ordinary commuting' means any travel between a permanent workplace and:

- home
- any other place which is not a workplace

A workplace is a place where the employee's attendance is necessary for the performance of the duties of that employment. The meaning of permanent workplace is explained at paragraph 3.10. For most employees this means that ordinary commuting is the journey they make most days between their home and their normal place of work. However, for some employees the position is more complicated.

3.3

So, in general, there is no tax relief for the cost of travel between an employee's permanent workplace and:

- an employee's home
- any other place the employee visits for non-work reasons
- any place where the employee performs the duties of another job

Example

James works 5 days a week at an office in central Birmingham which is his permanent workplace. From Monday to Thursday he travels to Birmingham from his home. This journey is ordinary commuting. However, on a Thursday he always goes out for the evening with friends and often stays at a friend's house overnight from where he travels directly into work in the morning. His journey from his friend's house to his permanent workplace is also ordinary commuting as it is travel to a permanent workplace from a place which is not a workplace.

Example

Dermot's employer sometimes requires him to attend his permanent workplace outside normal working hours - for example, at the weekend. This means he incurs extra costs on bus fares, the cost of meals eaten at his desk and sometimes even the cost of overnight accommodation near his workplace. No tax relief is available for any of this expenditure because all journeys between home and his permanent workplace are ordinary commuting. It makes no difference that Dermot's employer requires him to make the journeys or that they are made outside his normal working hours.

3.4

An employee cannot turn what is really an ordinary commuting journey into a business journey simply by arranging a business appointment somewhere on the way just to get tax relief. To get tax relief, the employee must be able to show that the attendance at the particular place on that occasion was necessary – in a real sense – for the performance of the duties of that employment and was not just a matter of personal convenience.

3.5

Similarly, an employee cannot turn an ordinary commuting journey into a business journey by requiring an employee to stop off on the way to carry out business tasks such as making phone calls. See paragraphs 2.6, 4.3, 4.4 and 4.5.

3.6

Where someone other than the employee pays or provides for their ordinary commuting (by reimbursing the costs, by paying directly for the travel or by providing travel facilities) and this arises from or by reason of the employment, the payment or provision is taxable. Reimbursements must be included as gross pay for PAYE purposes. All such payments and benefits should be reported on form P11D. The tax charge arises irrespective of whether the payment or provision is made by the employer or by a third party.

3.7

There is an exemption for certain specific benefits provided through a travel plan. A travel plan is a package of practical measures designed to reduce car use for journeys to and from work, and for business travel. Travel plans are put together by employers, and can be adapted to suit the particular needs of individual sites.

Examples of what could be included in a travel plan include:

- a works bus provided by an employer that is available to all employees generally to transport them to and from work
- cycles or cycling safety equipment

Example

To encourage staff to move to a new site at an out of town industrial development, an employer lays on a free bus service for his employees. Because the bus service is available to all employees generally to transport them to and from work there will be no tax charge.

What is private travel?

3.8

No tax relief is available for journeys which are private travel. Private travel is a journey between:

- an employee's home and any other place he or she does not have to be for work purposes
- any 2 places an employee does not have to be for work purposes

Example

Guy is an administrator. He has a permanent workplace in Derby. At certain times of the year he has work to do over the weekend. Generally, he takes it with him to his holiday cottage in Cornwall where he goes with his family most weekends. Working in Cornwall does not make his holiday cottage a temporary workplace. His journey there is private travel and he is not entitled to tax relief for any cost.

3.9

No tax relief is available for travel that is made for private rather than for work purposes, even if that travel is to or from a workplace which, in other circumstances, would be a temporary workplace.

Example

As part of her duties as a supervisor for a chain of supermarkets, Hannah has to visit different outlets. She gets tax relief for her travel. However, in addition Hannah is usually invited to the Christmas parties held at these outlets. She cannot get tax relief for this travel because it is not for work purposes.

Permanent workplace

3.10

It is usually clear whether or not a place is an employee's permanent workplace (and, therefore, whether a journey to or from that place is ordinary commuting). A place is a permanent workplace if the employee attends it **regularly** for the performance of the duties of the employment and it is not a temporary workplace. A temporary workplace is somewhere the employee goes only to perform a task of **limited duration** or for a **temporary purpose**.

Paragraph 3.11 explains 'attends regularly', paragraphs 3.13 to 3.28 explain 'temporary workplace', 'limited duration' and 'temporary purpose'.

Regular attendance at a workplace

3.11

An employee attends a workplace regularly if their attendance:

- is frequent
- follows a pattern
- is for all or almost all of the period for which they hold or are likely to hold that employment

The proportion of an employee's working time spent at a particular workplace is a factor in determining whether or not it is treated as a permanent workplace, but it is not the only factor. Even if the employee attends the workplace only on one or two days a week, if it is on a regular basis, the workplace may still be a permanent workplace. It is possible for an employee to have 2 or more permanent workplaces. The employee will not be entitled to tax relief for the costs incurred in travelling from home to any of the permanent workplaces (see paragraph 3.29).

Non-executive directors

3.12

We regard non-executive directors as office holders, which means that the same rules relating to travel expenses apply to them as to employees generally.

In determining whether tax relief is available for the costs of a particular journey, consideration must be given to whether the workplace being travelled to is a temporary or permanent workplace.

Example

Dinesh is a non-executive director for a large banking group. The main duty of his role is to attend monthly board meetings which he travels to directly from his home.

The board meetings are all held at the banking groups headquarters in London. As all or almost all of the time that Dinesh spends working for that employer is spent at a single workplace it is a permanent workplace and no relief for his travel expenses is due.

Temporary workplace – attendance for a limited duration or temporary purpose

3.13

A place is a temporary workplace if an employee goes there only to perform a task of limited duration or for a temporary purpose even where the employee attends it regularly.

Task of limited duration

3.14

Where an employee attends a workplace for a limited period of time to do a particular task or project then the workplace will be a temporary workplace, even where the employee's attendance is regular. This is on the basis that they are attending for the purpose of performing a task of limited duration. See also paragraph 3.18 and the 24-month rule.

Attendance for a temporary purpose

3.15

An employee may attend a workplace regularly and perform duties there which are not of limited duration without that workplace becoming a permanent workplace provided the purpose of each visit is for a temporary purpose. See paragraph 3.41.

3.16

Where a visit is self-contained (that is, arranged for a particular reason rather than as part of a series of visits to the same workplace for the continuation of a particular task) it is likely to be for a temporary purpose.

Example

Fred is a safety officer at his employer's Nottingham office. He visits the employer's Derby factory every week to carry out a particular safety check. His responsibility for that factory has been a duty of his employment for a period already spanning 20 years (so it is not of limited duration). However, the tasks he performs on each visit are self-contained and the purpose of each visit, considered alone, is temporary. Fred is entitled to tax relief for the full cost of his travel.

Example

Gail is the finance director of a large company based in Scunthorpe. Once a month her duties take her to the company's production unit in the South East. Her visits are to consider individual investment proposals but she takes the opportunity to discuss local welfare issues as a representative of senior management.

The purpose of the visits is not linked, each one is self-contained. So the production unit is not Gail's permanent workplace and she is entitled to tax relief for the full cost of her business travel.

Example

Peter lives in Wolverhampton and has a permanent workplace in Birmingham. He is a director of a company which has a number of regional offices.

He has to attend a directors' meeting each Friday in Stafford. Although the directors' meetings are regularly held in the same place, Stafford does not become a permanent workplace for Peter because each visit is for a temporary purpose. So he is entitled to tax relief for the cost of his travel from home to Stafford.

Example

Gemma is employed as a school teacher in Oswestry which is a permanent workplace. Every fortnight she goes to an education authority meeting in Bridgnorth. She is entitled to tax relief for her travel from home to Bridgnorth because while she goes there regularly each visit is for a temporary purpose.

Workplaces which are prevented from being temporary workplaces

3.17

There are a number of circumstances where, even though the employee attends a workplace to perform a task of limited duration or for some other temporary purpose, it will still be a permanent workplace. This will be the case where the 24-month or fixed term appointment rules apply or where the workplace is a depot or base. Also, where the workplace is defined by reference to an area, we may treat that area as a permanent workplace. These rules are explained in paragraphs 3.18 to 3.35 below.

The 24-month rule

3.18

The 24-month rule prevents a workplace being a temporary workplace where an employee attends it in the course of a period of continuous work which lasts, or is likely to last, more than 24 months.

3.19

A period of continuous work is a period of work throughout which the duties of the employment are performed to a significant extent at that place. For the purposes of operating this rule, we regard duties as performed to a significant extent at any workplace if an employee spends 40% or more of their working time at that place. The 24-month rule will also apply where an employee's duties are defined by reference to a particular geographical area. (See paragraph 3.32).

3.20

This means that where the employee has spent, or is likely to spend, 40% or more of their working time at that particular workplace over a period of more than 24 months, it will be a permanent workplace.

Example

Chris has worked for 5 years at her employer's head office in Warrington. She is sent by her employer to perform duties at a branch office in Wigan for 18 months, after which she expects to return to work in Warrington.

As Chris' attendance at the temporary workplace in Wigan is expected to last less than 24 months, tax relief is available for the full cost of her travel between home and the temporary workplace.

Example

Duncan has worked for his employer in Sheffield for 10 years and is sent to help out at the employer's Rotherham branch for 28 months. There is no tax relief for the cost of travel to and from the workplace. This is because he will be spending more than 40% of his working time there and his attendance is known from the outset to be for more than 24 months so the workplace is a permanent workplace. His home to work travel is therefore ordinary commuting for which no relief is available.

3.21

The test is whether the employee has spent, or is likely to spend more than 40% of their working time at a particular workplace over a period that lasts or is likely to last more than 24 months.

Where it is expected that the employee will attend a workplace to perform a task of limited duration or for some other temporary purpose for a period of less than 24 months, the workplace will be a temporary workplace from the outset.

However, if at a later date circumstances change and the employee is required to attend the workplace for a period that extends beyond 24 months, it will cease being a temporary workplace from the date that the expectation changed.

Example

Hassan has worked for his employer for 3 years and is sent to perform full-time duties at a workplace for 28 months. The posting is unexpectedly ended after 18 months. No tax relief is available for the cost of travel between his home and the workplace, because his attendance is expected to exceed 24 months (though in fact it does not). The workplace is therefore a permanent workplace and the journey is ordinary commuting.

Example

Richard has worked for his employer for 3 years. He is sent to perform full-time duties at a workplace for 18 months. After 10 months the posting is extended to 28 months. Tax relief is available for the full cost of travel to and from the workplace during the first 10 months (while his attendance is expected to be for less than 24 months), but not after that (once his attendance is expected to exceed 24 months).

Example

Sarah has worked for her employer for 7 years and is sent to perform full-time duties at a workplace for 28 months. After 10 months the posting is shortened to 18 months. No tax relief is available for the cost of travel to and from the workplace during the first 10 months (while her attendance is expected to exceed 24 months), but tax relief is available for the full cost of travel during the final 8 months (once her attendance is no longer expected to exceed 24 months).

3.22

For the 24-month rule to apply, both legs of the test must be met; for a workplace to be deemed permanent, the employee must have spent or be likely to spend more than 40% of their working time at a workplace and they must attend it or be likely to attend it over a period lasting more than 24 months.

Example

Edward lives and works in Portsmouth where he is employed as an engineer. His employer sends him to work in Southampton for 11/2 days a week for 28 months. For the rest of the week he continues to work in Portsmouth which remains a permanent workplace.

In considering whether Edward is entitled to tax relief for travel between home and Southampton it is important to look at the amount of time he expects to spend there each week and for how long he expects to be in Southampton. Because he expects to be in Southampton, for less than 40% of his working time, albeit over a period longer than 24 months, and he retains a permanent workplace in Portsmouth, Southampton is a temporary workplace for Edward and he is entitled to tax relief for the cost of getting there and back.

Example

Caroline is employed as a laboratory assistant. She lives in Newport and works in Cardiff. Her employer opens a new laboratory in Swansea. Caroline is sent to work there 4 days a week and expects to be there for 30 months. She is not entitled to tax relief for travel from home to Swansea because she is spending more than 40% of her time at the new laboratory and expects to be there for more than 24 months. It is therefore a permanent workplace. Caroline is not entitled to tax relief for travel from home to Cardiff for the one day a week she goes there because her attendance there is not to perform a task of limited duration or for a temporary purpose. The Cardiff laboratory remains a permanent workplace.

Example

Steven is employed as a financial adviser working in Brighton. His employer sends him to an office in Bournemouth for one day a week over a 10-month period.

He travels to Bournemouth directly from his home in Hastings. Steven is entitled to tax relief for his travel to Bournemouth because he has gone there for a temporary purpose. He does not expect to spend more than 40% of his time there nor does he expect to be going there for more than 24 months.

Example

Neil is employed as a speech therapist at a hospital in Leeds. His employer sends him to Bradford for 3 days a week to supervise a new department there.

He expects to be in Bradford for 18 months. Neil is entitled to tax relief for his travel from home to Bradford. Although he is spending more than 40% of his time in Bradford he does not expect to be there for more than 24 months so Bradford is a temporary workplace.

Example

Alan lives in Tewkesbury and has a part-time job working 2 days a week in Cheltenham as a telephonist for an insurance company. He is asked to spend one of his 2 working days covering for a colleague at a branch in Gloucester for a period of 32 months. Alan is not entitled to tax relief for travel between home and Gloucester because, while he spends only one day a week in Gloucester, this is more than 40% of his working time and he expects to be there for more than 24 months. Alan is not entitled to tax relief for the journey he makes between home and Cheltenham on the other day he works because Cheltenham remains a permanent workplace.

3.23

Usually it will be clear whether or not an employee expects to spend more than 40% of their working time at a particular workplace over a period of more than 24 months. Where there is some uncertainty, cases should be decided on their facts. An obvious starting point is what the employee has been told about the length of the assignment. Another point to consider may be whether the employee has moved home as a result of the change in workplace. An employee may be less likely to relocate for a posting that is expected to last under 24 months than for one that is expected to last longer. That is not to say, if someone does move home as a result of a change of workplace, it necessarily means they expect the new workplace to be permanent, or that if they do not move home they necessarily expect the new workplace to be temporary. Moving home is not a test, it is only one factor to consider – but it is an important one. See paragraph 8.9.

Long construction projects

3.24

It will often be the case in the construction industry that workers will be moved from site to site on a regular basis by their employer. In these circumstances, where the employee's attendance at the site is not expected to last longer than 24 months it will be considered a temporary workplace and tax relief will be available for the cost of travel and subsistence incurred in travelling to that site.

It is important to remember when applying the 24-month rule that the test is whether the employee has spent or is likely to spend more than 40% of their working time at a workplace for a period which lasts or is likely to last more than 24 months.

This means that where an employee is initially expected to work at a site for a period of less than 24 months but at a later date their employer extends the period to longer than 24 months, it will be a temporary workplace up until the date that the period is extended, after which it will be a permanent workplace.

Similarly, where an employee is required to work at a particular site on a construction project which is initially expected to last 18 months that site will be a temporary workplace. If, for example due to delays, that project is later extended so that it is expected to last for 30 months and the employee is expected to carry on working at the site for the duration of the project, that site will become a permanent workplace from the date that project's expected duration changed.

Breaks in attendance

3.25

A period of continuous work can remain continuous even where there is a break in attendance.

Example

Susan is employed as a human resources consultant. She expects to spend all her working time at a client's site for 23 months. She works full-time at the client's site for 17 months developing a new staff appraisal system and then deals with unexpected priority work elsewhere for 3 months. She then returns to the client's site for a further 6 months to co-ordinate the roll-out of the new system.

Susan is entitled to tax relief for her travel from home to the site during the first 17 months because she does not during that time expect to be at the site for more than 24 months. She is not, however, entitled to tax relief for her travel from home to the client's site for the further 6 months. That is because she now expects to spend 23 out of the 26 months at that site, which will be more than 40% of her working time over a period longer than 24 months.

Construction projects in phases

3.26

Sometimes construction projects will be completed in phases. Where this happens employees working on the construction project site may be moved by their employer to work on a different project in the intervening period and then later return to the original site to work on the next phase of the project.

In determining whether the 24-month rule applies in these circumstances you must still consider whether the employee has attended the workplace for more than 40% of their working time over a period of more than 24 months. The fact that there is a break in the employee's attendance at the workplace does not alter this.

Example

John is a labourer employed by a large construction company to work on the building of a new airport terminal. The building work is to be carried out in phases with the first phase expected to take 18 months to complete.

John attends the site for 18 months until the first phase is completed. He has no expectation of returning to that site. His employer then moves him to a different building project for 6 months after which his employer asks him to return to the original site to complete the second phase of building work which lasts 12 months.

The purpose of John's attendance is to complete a task of limited duration so during the first 18 months it will be a temporary workplace as John's attendance is for a period of less than 24 months.

However, when he returns to the airport site he expects to spend 30 out of 36 months working there, and expects to spend more than 40% of his working time there in a period lasting more than 24 months ($18 + 6 + 12 = 36$ months). This means that during the final 12 months the airport site will be a permanent workplace.

Example

Robert is a labourer employed by a construction company to work on the building of a new sporting venue. The first phase of the sporting venue project lasts for 6 months.

Robert attends the site 5 days a week (a total of 132 days over the 6-month period).

After the first phase is complete Robert's employer moves him to work on a different project site for 6 months. Robert does not expect to return for the second phase of construction at the sporting venue. He attends the second site for a total of 132 days over the 6-month period.

Robert's employer then moves him to work on a third construction site. After 3 months working on the third site (66 working days) the second phase of the sporting venue project starts. This phase is expected to last 12 months.

Robert's employer then asks him to work one day a week at the sporting venue and 4 days a week at the third site. Over the 12-month period Robert works 52 days at the sporting venue and 212 days at the third property site.

The sporting venue is capable of being a temporary workplace as the purpose of Robert's attendance is to complete a task of limited duration. During the first 6 months it will be a temporary workplace as Robert's attendance is for less than 24 months.

When Robert returns to the sporting venue site he expects to spend a total of 184 days there (132 in the first phase plus 52 in the second phase) out of 594 working days over the whole period which works out to 31% of his working time. Although the total period lasts more than 24 months ($6 + 6 + 3 + 12 = 27$), as Robert only spends 31% of his working time there the sporting venue site remains a temporary workplace.

Example

Roger is a labourer employed by a construction company to work on the building of the same new sporting venue as Robert. The first phase of the sporting venue project lasts for 6 months.

Roger attends the site 5 days a week (a total of 132 days over the 6-month period).

After the first phase is complete Roger's employer moves him to work on a different project site for 6 months. Roger does not expect to return for the second phase of construction at the sporting venue. He attends the second site for a total of 132 days over the 6-month period.

Roger's employer then moves him to work on a third construction site. After 3 months working on that site (66 working days) the second phase of the sporting venue project starts. This phase is expected to last 12 months.

Unlike Robert, Roger's employer asks him to work 3 days a week at the sporting venue and 2 days a week at the third site. This means that over the 12-month period Roger works 158 days at the sporting venue and 106 days at the third site.

The sporting venue is capable of being a temporary workplace as the purpose of Roger's attendance is to complete a task of limited duration. So during the first 6 months it will be a temporary workplace as Roger's attendance is for less than 24 months.

When Roger returns to the sporting venue site he expects to spend a total of 290 days there (132 in the first phase plus 158 in the second phase) out of 594 working days over the whole period which works out to 49% of his working time. As the total period lasts more than 24 months ($6 + 6 + 3 + 12 = 27$) and as Roger spends 49% of his working time there the sporting venue site will be a permanent workplace when he returns for the second phase.

No requirement to return to a permanent workplace

3.27

An employee does **not** need to have a permanent workplace to go back to, to get tax relief for travel to a temporary workplace.

Example

Viv starts a new job as a trainee manager for a building society. When she starts her job her employer has not decided where she will be based. As part of her induction into the building society, for the first 2 months Viv is required to spend a few weeks working full-time at each of a number of branches learning about the wide range of services the building society provides. After 2 months she is given a permanent posting to a branch in Swansea.

Viv is entitled to tax relief for the full cost of her journeys from home to the branches she visits in the first 2 months of her employment. Viv is not entitled to tax relief for the cost of travelling from her home to Swansea, once this becomes her permanent posting, because this is an ordinary commuting journey.

The fixed-term appointment rule

3.28

The fixed-term appointment rule prevents a workplace being a temporary workplace where an employee attends, or is likely to attend, it in the course of a period of continuous work for all or almost all of the period that they are likely to hold the employment.

A period of continuous work for this purpose has the same meaning as it does for the 24-month rule - that is it is a period during which the employee spends or is likely to spend more than 40% of their working time at a particular workplace.

For the purpose of operating the fixed-term appointment rule we regard a period as being all or almost all of the period that the employee is likely to hold the employment where that period is more than 80% of the likely duration of the employment.

This means that the test is whether the employee has spent, or is likely to spend, 40% or more of their working time at that particular workplace for more than 80% of the likely duration of the employment.

The fixed-term appointment rule will also apply where an employee's duties are defined by reference to a geographical area. (See paragraph 3.32).

Example

Mike is taken on for a fixed-term employment of 18 months to work at a particular site. No tax relief is available for the cost of travel to and from the site during that period.

Example

Laura is employed as a research scientist on a fixed-term contract lasting 15 months. Most of her work is to be done in research laboratories in Upminster but to familiarise her with equipment which is new to her, her employer first sends her to the manufacturer's premises in Inverness. Laura is entitled to tax relief for her travel to and from Inverness, but not for her travel from home to and from Upminster because it is the place where she will carry out duties for almost all of her employment.

Depots and similar bases

3.29

Where the main reason an employee regularly attends a workplace is because:

- it is the base from which he or she works
- it is the place where he or she is routinely allocated

we'll not regard their attendance as being of a limited duration or for a temporary purpose.

Example

Ian is employed as a bus driver. He picks up his vehicle from a depot each day. Attendance at that depot at the start and finish of each shift may be brief but the depot is still his permanent workplace. There is no tax relief for the cost of Ian's travel between home and the depot because it is ordinary commuting.

3.30

This does not mean that every place from which an employee works or at which he or she is allocated tasks is necessarily a permanent workplace.

We'll regard a depot or similar workplace as a permanent workplace if:

- the employee attends it regularly
- the main reason the employee goes there is because it is the place from which he or she works or at which he or she is routinely allocated tasks
- it is the main or only place from which the employee works or at which he or she is routinely allocated tasks

Example

Jane is employed as a management consultant. She has no permanent workplace. She spends most of her time working from home or at the premises of various clients. At other times she 'hot-desks' at her employer's offices in various locations or works on the train while travelling between clients.

Jane can be allocated tasks while she is at any of these places. But this is not the reason she goes there. She goes to visit clients and carry out other tasks of limited duration. Even though she is sometimes allocated tasks at each of these places none of them is her permanent workplace.

3.31

However, where an employee regularly attends a workplace to be routinely allocated tasks while there, that workplace will be a permanent workplace – even if certain tasks are allocated to the employee elsewhere.

Example

Matthew is employed as an electrician. Each morning he visits a depot where he is given his job list for the day. His employer usually contacts him during the day to make changes to that job list. He is therefore, allocated tasks in many different places. However, Matthew's depot is still the place he attends regularly where he is routinely allocated tasks and it is, therefore, his permanent workplace. So, travel between his home and the depot is ordinary commuting for which no tax relief is available. Matthew will still be able to claim tax relief for his business travel.

Example

Jill is employed as a plumber. She has no permanent workplace and can work on more than 100 sites in any one year. She receives instructions about where to work over the phone. She calls into her employer's premises most Wednesdays to collect piping and replacement tools. Calls of this type do not make the employer's premises into a depot or other permanent workplace. Jill can claim tax relief for all her journeys.

Duties defined by reference to a particular geographical area

3.32

Some employees have a job where their duties are defined by reference to a particular geographical area. Where these employees have no other permanent workplace the geographical area will be their permanent workplace. In each case the test will be whether the employee's duties are defined by reference to a particular geographical area. It is important to remember that an employee will only have a geographical area as their permanent workplace where all the following conditions are met.

1. The employee has no other permanent workplace.
2. The employee attends the area in the performance of their duties.
3. The employee has a job where the duties are defined by reference to a geographical area.

Example

Henry lives in Norwich and is a relief manager for a chain of East Anglian regional tourist board offices. He shares responsibility for providing cover for all the offices, attending an office for a full day on each occasion. There is no regular pattern to his work. His duties are defined by reference to a particular geographical area. As the area is his permanent workplace Henry is not entitled to tax relief for his non-business travel costs.

Example

Liz is a social worker. Her duties are defined by reference to an area but she has an office which she regularly attends. Although much of her time is spent visiting clients within her area, her office is a permanent workplace. So her travel between home and the office is ordinary commuting for which she is not entitled to tax relief. Her travel to and from the clients is business travel.

Example

Hugh is employed by a firm of land agents. His contract of employment defines his duties by reference to the county of Lancashire. Hugh does not live in Lancashire. However, Hugh actually works in a different office each day of the week but in the same office on the same day each week. Hugh is not entitled to tax relief for any of his journeys from home to any of the offices including his travel from the edge of Lancashire to any of the offices he visits. This is because the rules for areas do not apply since Hugh has 5 permanent workplaces (see paragraph 3.10).

3.33

For employees who have an area treated as their permanent workplace, the whole of the geographical area is the workplace. So if they live outside that area the journey between home (or any other place they visit other than in the performance of the duties of that employment) and the edge of the geographical area is ordinary commuting with no tax relief available for the cost of that journey.

Example

Charlotte is employed as a gamekeeper on a large country estate. She does not work at any particular site; her duties are defined in terms of the estate as a whole. The estate as a whole is her permanent workplace. Charlotte lives outside the estate. She is not entitled to tax relief for the cost of her travel between home and the boundaries of the estate - that travel is ordinary commuting.

Example

Mark works on the London Underground network. He has no office and his duties are defined by reference to the area served by the network - so the whole of this geographical area is his permanent workplace. Mark lives in Leeds. Each Monday he travels to London and stays in a hotel before returning home on Friday. He is entitled to tax relief for the full cost of the business journeys he makes within the geographical area served by the London Underground network. No tax relief is available for the cost of his journey between home and the edge of that geographical area or for the cost of his hotel accommodation in London. These costs are attributable to ordinary commuting.

3.34

An employee whose duties are defined by reference to a particular geographical area is entitled to tax relief for:

- the full cost of business travel made within the geographical area
- the full cost of business travel to other workplaces outside the area

Example

Hope lives in Perth and is employed by a Scottish utility company. She has no office and her duties are defined by reference to the whole of the geographical area of Scotland which is her permanent workplace.

Sometimes Hope has to travel long distances within Scotland and occasionally she goes to London on business. This often involves meals while travelling and staying in hotels. Hope is entitled to tax relief for these travel costs in full.

3.35

Where an employee has no site that is their permanent workplace and the duties of the employment are defined by reference to a geographical area, the occasional performance of duties outside that area will not prevent the area from being a permanent workplace.

Example

Gary is a police officer. He has a community liaison role which mainly involves visiting schools and other organisations within the area covered by his police authority. Although nominally attached to a particular station, Gary does not regularly attend that station and no particular site qualifies as his permanent workplace. However, his duties are defined by reference to the area covered by the police authority, so that geographical area is his permanent workplace.

Each year Gary visits universities across the country to recruit new officers. He visits each university for a temporary purpose. These visits do not change his permanent workplace which remains the geographical area covered by his police authority.

Employees who work at home

3.36

Whether or not an employee's home is a workplace does not affect the availability of tax relief for travel expenses. Travel expenses from home to a permanent workplace will only qualify for tax relief if the journey qualifies as travel in the performance of the duties of the employment.

So even though it may have been accepted that the employee's home is a workplace, it does not necessarily follow that they will be entitled to tax relief for the cost of travel between their home and a permanent workplace. This is because the place where an employee lives will ordinarily be down to their personal choice. The expense of travelling from their home to any other place is a consequence of that personal choice; not an objective requirement of the job.

Example

Chandra is a home based sales consultant living in Derby for a company whose office is in Nottingham. He carries out a large part of his substantive duties at home. He was employed on the basis that his employer requires him to work from home 4 days a week and one day a week in the Nottingham office. On the day that he attends the office a desk and facilities are available for him to use however these are not available on the other 4 days.

Chandra is entitled to claim tax relief for some of the additional costs he incurs from having to work from home however he is not entitled to any tax relief for the costs he incurs in travelling from his home to the Nottingham office. This is on the basis that the Nottingham office is Chandra's permanent workplace as he attends it regularly and his attendance is not to perform a task of limited duration or for some other temporary purpose.

That Chandra's home is a workplace for the purpose of claiming tax relief for additional household expenses does not change the fact that he is travelling between his home and a permanent workplace. His travel to the Nottingham office is ordinary commuting.

3.37

Where an employee performs substantive duties of their employment at home as an objective requirement of the job, we may accept their home as a workplace for the purposes of the 'travelling in the performance of the duties' rule (see paragraph 2.5).

Where this is the case the employee will be entitled to tax relief for the expenses of travelling from home to other workplaces as their travel is in the performance of their duties.

Usually, we'll only accept that working at home is an objective requirement of the job if the employee requires certain facilities to perform those duties, and those facilities are only practically available to the employee at their home. We won't accept that working at home is an objective requirement of the job if the employer provides appropriate facilities in another location that could be practically used by the employee, or the employee works from home as a matter of choice.

Example

Angela is an area sales manager who lives in Glasgow. She manages the company's regional sales team across Scotland. As the company's nearest office is in Newcastle Angela cannot practically attend that office and is required to carry out her administrative work at home. Angela's employer requires her to keep all client information securely at home, and so Angela could not carry out that administrative work anywhere else.

Angela is entitled to tax relief for the expenses she incurs in travelling from her home to the company's office in Newcastle, as well as for her journeys within Scotland.

3.38

Even where the employee works at home as an objective requirement of the employment, tax relief for the cost of travel between their home and their permanent workplace will only be due for travel made on days where the employee's home is a workplace. Only on those days is the employee travelling between 2 workplaces. On other days the employee is travelling between their home and a permanent workplace, which is ordinary commuting.

Example

Peter works in his employer's office for 4 days every week but the requirements of the job dictate that he must work at home every Friday. It is accepted that his home is a workplace on a Friday.

His travel from home to his employer's office on Monday to Thursday is ordinary commuting because those premises are a permanent workplace so no tax relief is available for his travel costs on those days.

However, if he is unexpectedly required to visit his employer's premises on a Friday to carry out the duties of his employment he will get tax relief for his travel costs because he is travelling between 2 workplaces.

3.39

An employee is not entitled to tax relief for journeys between their home and any other place attended for reasons other than work, even when home is a workplace. Such travel is private travel.

Tax relief will of course be allowed for the costs incurred on travelling between the employee's home and a temporary workplace.

Agency workers

3.40

Where a worker provides their services through an agency and their income is subject to tax as employment income, and they generally attend only one workplace in respect of each engagement that workplace will usually be a permanent workplace. Where nurses, domestic workers and others provide their services through an agency and do a number of different jobs on the same day, those workers may obtain tax relief for travel between those jobs, but not for travel from home to the first job and to home from the last job on each day.

Example

Beth is an accounts clerk who gets all her work through an employment agency. She rarely takes a job which lasts more than 2 weeks. Beth always travels straight from home to work at the premises of the employment agency's client. She is not entitled to tax relief for any of these journeys because each job is treated as a separate employment and so all her journeys are ordinary commuting.

Working through an employment intermediary

3.41

From 6 April 2016 new legislation affects the application of the travel expenses and subsistence rules for workers who provide their services through an employment intermediary including those employed under overarching contracts of service. When such a worker personally provides services (other than an exception for ‘excluded services’ - see below) to a client through an employment intermediary, including a recruitment agency, umbrella company, personal service company (PSC) or other similar structure and their work is akin to an employee, then each assignment is considered to be a separate employment. This will bring the rules for these workers in line with those who are engaged directly and therefore when a worker regularly commutes from home to a workplace for each assignment they will not be eligible for relief on travel and subsistence.

When the new legislation does not apply each workplace will continue to be treated as a temporary workplace with the tax and NICs treatment following the existing rules for travel to temporary workplaces.

Example

Joe is a warehouse worker and is engaged via an employment intermediary which employs him under an overarching contract of service. His work is akin to an employee's and as such the new legislation applies and his attendance at the premises of the end clients will be treated as attendance at a permanent workplace.

Exception for Excluded Services

“Excluded services” are those provided wholly in the client’s home.

Example

Paul works away from home during the week only returning at weekends. As he is away so much he decides to get help with his domestic chores. During the summer he engages a gardener, George.

George works via his own PSC which is subject to IR35. Despite this George is not covered by the new legislation as he is providing his services in Paul's own home.

The above changes are subject to the new legislation receiving Parliamentary Approval.

People with more than one workplace at the same time

3.43

Someone who has 2 or more employments or is in an employment which requires regular attendance at more than one workplace, may have more than one permanent workplace during the same period.

Example

John is a mortgage adviser employed by a chain of building societies. He works 5 days each week but spends each day in a different branch in a different town. He works in the same branch on the same day each week.

John is not entitled to tax relief for his travel from home to any of the branches. That is because he travels regularly to each branch and his work is neither of limited duration nor for a temporary purpose. So each branch is a separate permanent workplace.

Example

Mary is employed as an office manager by a firm of architects. The firm operates from offices in Bristol and Bath. Mary spends each morning at the office in Bristol and each afternoon at the office in Bath. Each office is a permanent workplace. Mary is not entitled to tax relief for the cost of travel between her home and either of the offices. However, travel between the 2 workplaces is travel in the performance of her duties. So tax relief is available for the full cost of this travel.

3.44

Most employees will not have more than one permanent workplace at the same time. Each case will depend on the particular facts. The sort of things that would point to a workplace being a second permanent workplace include:

- the employee regularly performs a significant part of their duties there
- people would expect to be able to contact the employee at the second location
- the employee has an office, or desk, and support services at the second workplace which he or she regularly uses
- the employee performs similar tasks at each workplace
- the employee does not attend the workplace solely to do specific tasks such as attendance at a specially arranged meeting (see paragraph 3.13)

Managers working across sites

3.45

It is common for managers to have staff in more than one site across various geographical locations within the UK. Where this is the case and they are required to attend each site regularly it is possible that those individuals may have more than one permanent workplace.

Example

June is a manager within a government department with staff located in offices in Birmingham and London. June lives near to Birmingham and uses the Birmingham office as her main base, where she performs many of the duties of her employment and considers it her permanent workplace. She has a desk there and her personal assistant works there.

June is expected to visit her staff in London regularly so she spends 3 days a week in Birmingham and 2 days a week in London. She doesn't have a permanent desk in the London office although there is always a desk available for her to use near her team.

June's travel to the London office is regular and as her attendance is simply to carry out the ongoing duties of her management role it is neither to perform a task of limited duration or for some other temporary purpose. The London office is, therefore, a second permanent workplace.

June is entitled to tax relief for the cost she incurs on travelling between the Birmingham and London offices as this is travel in the performance of the duties. She is not entitled to tax relief for travel from her home to either the Birmingham or London offices as this is ordinary commuting.

Example

Helen is a senior manager in a large banking group which has its head office in London. She lives in Leeds and has a permanent workplace at the company's Leeds office where she carries out the ongoing duties of her role.

Each week Helen is required to travel to the London office to attend various specific management board meetings. She travels to London 3 days each week for this purpose.

Helen's attendance at the London office is regular, however because it is purely for the purpose of attending specifically arranged management meetings rather than for the purpose of carrying out the ongoing duties of her role, her attendance is for a temporary purpose. As such the London office is capable of being a temporary workplace.

Helen's attendance at the London office 3 days a week is, however, more than 40% of her working time and is expected to last longer than 24 months. The London office is, therefore, a permanent workplace.

Example

Ajit works for a sales company managing teams in Reading and Oxford. The company's head office is in London. Ajit is required to split his time equally between the Reading and Oxford offices to carry out his management duties. He has a desk and computer in both offices.

Once a week he is also required to travel to the London office to attend a regular management meeting with all the managers across the company.

Both the Reading and Oxford offices are permanent workplaces as Ajit attends them regularly and his attendance is for the ongoing duties of his role rather than to complete a task of limited duration or for some other temporary purpose. Therefore he is entitled to tax relief for the costs he incurs in travelling between Oxford and Reading but he is not entitled to tax relief for the costs he incurs in travelling from his home to either the Oxford or Reading offices.

Whilst Ajit's travel to the London office is regular the purpose of his visits is self-contained therefore his attendance is for a temporary purpose and the London office is a temporary workplace.

3.46

No single factor is decisive in establishing whether a second location is a permanent workplace. It depends on the particular work pattern. If, for example, someone regularly spends 40% of their time at a second location, it is unlikely, given the frequency of the visits that each visit would be to perform a task of limited duration or for some other temporary purpose. In these circumstances, we would normally presume that the second location is a permanent workplace.

When a workplace stops being a permanent workplace

3.47

Sometimes a place may stop being an employee's permanent workplace. This may happen, for example, because an employer moves to a place some distance away.

Example

Emily is employed full-time by a bank. She is sent to work for 6 months in a newly opened branch in another town. At the end of that period she accepts a promotion and stays at the new branch. At that point the new branch becomes Emily's permanent workplace.

Two years later when Emily is asked to cover for an absent colleague in her old branch for a couple of months, she is entitled to tax relief for any cost of travelling from home to the old branch because that is a temporary workplace.

Passing work on the way to somewhere else

3.48

An employee may pass a permanent workplace on the way to or from a temporary workplace. If the employee stops and performs substantive duties at the permanent workplace then there are 2 journeys – ordinary commuting between home and the permanent workplace and a business journey between the permanent workplace and the temporary workplace. Tax relief will be available for the cost of the second of these journeys – but not the first.

3.49

Where the employee does not stop at the permanent workplace, or any stop is incidental to the business journey, all of the journey is business travel.

Example

Darren drives each day between his home in Southampton and his office in Winchester. One day he has to travel on business to Birmingham and back. He drives directly from home to Birmingham but stops off at his office to pick up some papers. His stop is incidental to his business journey. His business journey is from his home in Southampton to Birmingham and back. Tax relief is available for the cost of his journey from his home to Birmingham and back.

Example

Andrew drives each day between his home in Gloucester and his office in Bristol. One day he is required to attend a training event in Bath. Rather than travelling directly to Bath from his home he has to stop off at his office in Bristol to take part in a telephone conference about a project he has been working on. After the telephone conference has finished he drives to the training event in Bath.

As Andrew has stopped off at his workplace to carry out substantive duties on the way to the training event in Bath the first part of his journey between home and Bristol is ordinary commuting. Tax relief is available for the cost of his journey from Bristol to Bath, and from Bath back to his home address as this is travel to a temporary workplace.

Emergency call-out expenses

3.50

Employees sometimes have to travel to a permanent workplace unexpectedly or in an emergency. Where the cost of that journey would not qualify for tax relief in normal circumstances, it will not qualify for tax relief just because the journey was made in response to an emergency. It makes no difference if the journey takes place outside normal working hours or if the employee is returning to the workplace having completed their normal duties there.

Example

Isabel is required to be a keyholder for her permanent workplace. One night she is called out by the police responding to a burglar alarm. Isabel is not entitled to tax relief for her journey from home because it is ordinary commuting.

3.51

Exceptionally, where an employee is obliged to perform duties at home and while travelling to an emergency at a permanent workplace, the travel may be regarded as travel between 2 workplaces. In such circumstances, the cost of that travel will qualify for tax relief.

To get tax relief, the employee has to:

- give advice on handling the emergency before starting the journey
- accept responsibility for those aspects appropriate to their duties from that time
- have a continuing responsibility for the emergency whilst travelling to the permanent workplace

Example

Jack is employed as a vet. He operates a surgery from his home. He also works at an animal hospital some distance away. It is an objective requirement of his employment that he perform his duties at these 2 workplaces. One night he is required to attend an emergency at the hospital. He is phoned at his home/surgery and immediately takes responsibility for the emergency and issues instructions on action to be taken. While travelling to the hospital he uses a hands-free mobile phone to continue to control the response to the emergency. The journey is between 2 workplaces in the performance of Jack's duties. Jack is entitled to tax relief for the cost of this journey to the hospital.

Employee on standby

3.52

Where an employee is on stand-by and can be called out at short notice he or she is still not entitled to tax relief for a journey which is ordinary commuting.

Example

Jane works fixed hours in a restaurant, but can also be called in when there are staff shortages. When she is called in outside her normal hours she is not entitled to tax relief for travel from home to the restaurant because this is ordinary commuting.

Chapter 4 - Safeguards against abuse

4.1

This chapter explains the safeguards written into the legislation to prevent tax relief being obtained in circumstances where it is not properly due.

4.2

The safeguards have three aspects. They ensure that:

- tax relief is available only where an employee has to attend at a workplace, in the performance of the duties of their employment, on a particular occasion - see paragraphs 4.3 to 4.5
- changing workplaces will not necessarily affect an employee's entitlement to tax relief for travel - see paragraphs 4.6 to 4.9
- journeys which for practical purposes are ordinary commuting or private travel are treated as ordinary commuting or private travel - see paragraphs 4.10 to 4.14

The 'necessary' attendance rule

4.3

Tax relief is available only where travel is in the actual performance of the employee's duties or where it is necessary – in a real sense – for the employee to attend the particular place on that occasion to perform the duties of their employment. Usually the position will be straightforward and the requirements of the duties and the requirements of the employer will be identical. But it is important to keep in mind that the strict test for tax relief is that the travel is dictated by the duties of the employment.

Tax relief is available only where travel or attendance is an objective requirement of those duties. The personal convenience of the employee cannot be the factor that determines tax relief.

Example

Philip is employed as the editor of his local paper. He normally works at the paper's offices. However, to enable him to look after an aunt who is unwell, Philip's employer tells him to work at his aunt's home for a few weeks. Philip is not entitled to tax relief for travel to or from his aunt's home. Although Philip carries out the duties of his employment there, his attendance is not an objective requirement of those duties.

4.4

It is important to remember that tax relief is available only where an employee has to attend a temporary workplace on a particular occasion to carry out the duties of the employment.

Example

Rachel works for a firm of estate agents which has branches across the West Midlands. Rachel lives in Wolverhampton and works at the branch in Coventry. She has a number of business phone calls to make which can be made at any time during the day. Rachel's employer tells her to stop off at the Birmingham branch on the way to her permanent workplace in Coventry to make some of the phone calls. Rachel is not entitled to tax relief for the cost of her journey from Wolverhampton to Birmingham. She and her employer cannot treat her ordinary commuting journey as a business journey by arranging the stop-off at the Birmingham branch. Her attendance at that branch is not an objective requirement of the duties of her employment. For the same reasons Rachel is not entitled to tax relief for the cost of her journey from Birmingham to Coventry, again because that journey is not an objective requirement of the duties of her employment.

4.5

We recognise that there will be cases where the position is not clear cut. But we will look particularly closely at any case where an employer appears to send their employee to a temporary workplace just to get tax relief for travel expenses. Where that has happened we will consider the scope of taking action against employers to recover PAYE or, if appropriate, recovering tax, interest and penalties from the employee. Employers and employees should be aware that it is a serious offence to make a false statement or claim to us.

Changes to a workplace

4.6

An employee's workplace may change without significantly affecting their journey to work. Where an employee moves offices from Cardiff to Edinburgh there is clearly a change of workplace affecting the employee's journey to work. But the position is different if an employee moves to a new office in the next door building. In these circumstances there is no significant effect on the employee's journey to work and under the tax rules there is no change of workplace.

This rule prevents employers from making small changes to the place where an employee works to take advantage of the temporary workplace rules. Where there is no significant change to an employee's journey the rule operates to treat the 2 workplaces as being the same.

4.7

Sometimes it may be difficult to decide whether a change of workplace affects an employee's entitlement to tax relief.

The basic principle is that a change in the location or boundaries of a workplace will give rise to a new workplace where the change has a significant effect on:

- the journey an employee has to make to get to work
- the cost of that journey

Example

Catherine, a computer consultant, is the only employee of a company which she controls. She is a specialist in banking systems.

She spends 18 months working full-time at the headquarters of a merchant bank in Lombard Street in the City of London. She then moves next door to design a new computer system for a different bank where she expects to stay working full-time for 22 months.

After that assignment she moves to work at a bank close by on Cheapside for 17 months.

Catherine is not entitled to tax relief for her travel from home to these workplaces, because the nature of her work is such that she expects to work continuously in the 'Square Mile' albeit on the premises of different banks. So her travel from home to work will be broadly the same every day, year in year out (see paragraph 4.6).

Example

Josh is employed on a construction site. His employer buys an adjacent plot to extend the site. Josh moves to work on the new plot but his journey to work (and in particular its cost) does not change significantly. That means there has been no change of workplace for tax purposes.

Example

Yinka works for an employer who has several offices close to each other in London. Her employer rotates staff around the offices every 18 months. Yinka works at one office and is then moved to another. She travels to work using the London Underground and, although she now gets off a few stops further on, but within the same Travelcard zone, her journey is largely unaltered and the price of her ticket does not change. Her workplace is not considered to have changed.

4.8

Where a change in location has a significant effect on:

- the journey an employee has to make to get to work
- the cost of the journey to work

the new location is a new workplace even if it is geographically close to the old workplace.

Example

Justin is employed on a major bridge construction project. To begin with he works on the north shore but he is then transferred to work on the south shore. Crossing the river is inconvenient (which is why a new bridge is needed), and it takes Justin longer to travel to the south shore and costs much more than it did to travel to the north shore. The north and south shores could be described as a single construction site and, as the crow flies, they are not far apart. However, Justin's move from the north to the south shore has had a significant effect on his journey to work (and, in particular, the cost of that journey) so his workplace has changed for tax purposes.

4.9

Applying this rule may have the effect of denying tax relief for travel over longer distances in metropolitan areas than in rural areas. A change of location from Queensway to Bank could involve 8 stops on the Central line of the London Underground at no extra cost. In these circumstances the modification rule comes into play. But 10 stops to the north on a train from Preston gets into Scotland, and 10 stops to the south could involve a journey beyond London, both at considerable extra cost. There would be no question of applying the modification rule in these circumstances.

Example

Anna lives near Ludlow. Each day she used to drive 25 miles north to her workplace in Shrewsbury. Anna's job is moved and each day she now drives 25 miles south to her new workplace in Hereford.

The mode of transport is the same, the time taken is the same, but the journey is in an entirely different direction. The fact that the costs of travelling to and from work do not change is a chance consequence of where she lives. Had Anna lived elsewhere, the change in workplace would have had a significant effect on the cost of her commuting.

As such, the change in Anna's journey would be regarded as a fundamental change to the place where her duties are carried out, rather than a modification. We regard the new location as a new and quite separate workplace.

Journeys treated as ordinary commuting or private travel

4.10

Sometimes an employee may travel to a temporary workplace without that journey being significantly different from their ordinary commuting journey. The tax rules deny tax relief in circumstances where, for practical purposes, a journey is very similar to the employee's ordinary commuting journey.

Example

Keith is a health and safety inspector who lives in Leicester. His office in Nottingham is 500 yards away from a processing plant which he visits on a quarterly basis to conduct health and safety reviews. When he travels direct from home to the processing plant he is going to a temporary workplace but his journey is substantially the same as his ordinary commuting journey so he is not entitled to any tax relief.

Example

Lauren lives in Pudsey. She travels 5 miles to work in Leeds where she is a shop manager. One day she is asked to go to Ilkley to stand in for a colleague who is sick and so travels an extra 12 miles. Her journey to Ilkley is clearly different from the journey she makes daily to Leeds so she is entitled to tax relief.

4.11

This is intended to be a common sense rule which applies where the journey to or from a temporary workplace is broadly the same journey as the employee's ordinary commuting journey. In particular, it will deny tax relief where employers or employees seek to turn an ordinary commuting journey into a business journey for the purposes of obtaining tax relief. The application of this rule will depend on the particular circumstances of any case but we will not normally seek to argue that a journey to or from a temporary workplace is substantially ordinary commuting where the extra distance involved is 10 miles or more each way.

4.12

The same rule denies tax relief for journeys which are substantially private travel. This means journeys where the business purpose of a journey is merely incidental to some private purpose or the journey is made substantially for private purposes rather than for business purposes.

Example

Luke lives in Banbury and is employed as a systems analyst at an office in Aylesbury. Luke has a 3-week holiday in Italy. At the end of the holiday he flies back from Venice to Heathrow. Instead of going home Luke drives direct from Heathrow to visit a client who needs to see him urgently in Warwick. The total cost of Luke's journey from Venice to Warwick is £1,500.

Luke is not entitled to tax relief for the cost of this journey. While he had to visit the client the reason for the greatest part of his journey, and its cost, was private - his return from holiday. His journey was, therefore, substantially private travel.

Example

Paul is a manager of a bank in Swindon. One day he travels to Basingstoke to visit his elderly mother but while there calls in at the branch of the bank in Basingstoke to drop off some papers. His purpose in going to Basingstoke was private so he is denied tax relief because his journey was substantially private travel.

Example

Andrea works for an accountancy firm in Northampton. Her employer sends her to the Coventry branch to attend a training event. Andrea's sister lives in Coventry and while there she visits her sister. She spends a lot longer visiting her sister than she does at the training event, however, she is entitled to tax relief for her travel from home to Coventry because her primary purpose in going there was business. Meeting up with her sister was merely incidental to her business travel.

4.13

We will not use this rule to deny tax relief where comparatively small sums and short distances are involved.

Example

Mandy lives in Cannock and has a permanent workplace in West Bromwich. One weekend she goes to visit her grandmother in Lichfield. On Monday morning she drives directly from Lichfield to visit a client she has to see in Stafford.

Although the journey from Lichfield to Stafford is 6 miles longer than the journey would have been had she travelled from her home in Cannock to Stafford, it is substantially for business purposes. The journey is not therefore substantially private travel and Mandy is entitled to tax relief for her journey from Lichfield to Stafford.

4.14

The rule which denies tax relief for journeys that are substantially ordinary commuting is relatively easy to apply because there will generally be an ordinary commuting journey as a point of comparison. That is not so for journeys where tax relief may not be available because a journey is substantially private travel. Exceptionally, the application of the 'substantially private travel' rule may involve enquiries about the purpose of a journey. We do not expect employers to make searching enquiries of their employees to determine whether tax relief is due. We will handle enquiries sensitively.

Chapter 5 - The amount of tax relief

5.1

Where an employee's business journey qualifies for tax relief the amount of tax relief to which he or she is entitled is the full cost of that business journey. In working out the full cost of a business journey, take no account of any savings an employee realises by not having to make their ordinary commuting journey.

There are special rules for working out the tax relief on motoring expenses paid to employees who use their own vehicles for business travel - see paragraph 9.12.

Tax relief only against earnings from same employment

5.2

Tax relief is generally only available where an expense is met out of the income from the relevant employment. Where an employee is entitled to tax relief for expenses incurred but the income from that employment does not cover those costs, tax relief is limited to the amount of that income.

We cannot give tax relief against other income – such as investment income or income from another employment. But where a group of companies is involved see paragraph 2.8.

Example

Mark is a teacher. He is also separately employed as coach to the local youth football team, for which he is paid £100 a year. He incurs expenses of £1,000 a year travelling to away matches which he pays out of his own pocket. Mark can only get tax relief for £100 of his expenses as he only has £100 of pre-tax income from his coaching work.

Tax relief only for expenditure actually incurred

5.3

Tax relief is available only to the extent that an expense has actually been incurred.

Example

Angela has to travel on business. Her employer pays her a travel allowance sufficient for the purchase of an airline ticket. Angela buys a rail ticket at lower cost. Tax relief is limited to the expenditure actually incurred - the cost of the rail ticket. Angela is taxable on the payment from her employer but tax relief is available for the expenditure actually incurred.

Example

Matthew is sometimes required by his employer to stay away overnight in London on business. His employer makes payments to him to meet the cost of hotel accommodation when he has to stay away. However, instead of booking into a hotel, he stays at a friend's house in Fulham. Matthew is taxable on the full amount received from his employer and no tax relief is available to set against the payment he received for overnight accommodation because no expense has been incurred.

Example

Fiona has to travel on business. Her employer pays her a travel allowance sufficient for the purchase of a standard class railway ticket. Fiona buys a first class ticket. The allowance paid is taxable but tax relief is available for the full expenditure actually incurred - the cost of the first class ticket.

Subsistence

5.4

Travel expenses includes both the actual costs of travel together with any subsistence expenditure and other associated costs that are incurred in making the journey.

This includes:

- any necessary subsistence costs incurred in the course of the journey
- the cost of meals necessarily purchased whilst an employee is at a temporary workplace
- the cost of the accommodation and any necessary meals where an overnight stay is needed - this will be the case even where the employee stays away for some time

The following examples demonstrate when business journeys begin and end.

Example

Chris is required to spend 3 months in 2013 to 14 working at the site of one of his employer's clients. He travels to the site each Monday morning, stays in a hotel close to the temporary workplace and travels home late each Friday evening, eating dinner on the way. During the week he takes some of his meals in the hotel and others at a nearby restaurant. The cost of the accommodation and all the meals are part of the cost of his business travel.

However if he were to travel home on a Wednesday evening, spend the night at home and take his wife out for a meal no deduction would be permitted for the cost of that meal. This is because the qualifying business journey ends when he arrives home and starts on Thursday morning when he sets off to travel back to the site.

Example

Michael is employed as a travelling salesman visiting customers across the UK throughout the day. He travels to his first customer direct from home and travels home directly from his last customer of the day. Each day he purchases and eats lunch whilst travelling between customers.

Michael is travelling in the performance of his duties. Therefore the costs of his travel both to and from home and between customers together with the cost of his meals incurred whilst en route will be allowable.

5.5

Tax relief is only allowed for subsistence costs which are attributable to the business travel ie costs incurred in the course of the journey which are additional to any costs that the employee would ordinarily incur if they were not travelling on business. For example, tax relief would be allowed for the cost of a sandwich purchased at a station whilst travelling on business but not for the cost of a sandwich prepared at home and consumed whilst travelling as this is not a cost incurred in the course of the journey.

Example

For several weeks, William performs duties of his employment at a temporary workplace close to his home. He chooses to stay in a hotel as he is having some decorating done at his home. The stay in the hotel is not attributable to his travel to and from the temporary workplace and so he is not entitled to tax relief for the costs.

Example

Andrew normally works in Bristol, but his employer asks him to spend a few days covering for a colleague in the Bath office. The Bath office will be a temporary workplace. As he normally prepares a packed lunch at home, Andrew continues to do so for the days he is travelling to work in Bath. No tax relief is available for the cost of Andrew's lunches (even if they could be precisely identified) as he did not incur the cost in the course of his journey.

5.6

Example

Claire performs the duties of her employment at a series of temporary workplaces. She has no permanent home. She stays in guest houses and hotels near wherever she happens to be working. This is the only accommodation available to her.

Claire has to live somewhere and the costs of accommodation are attributable to her general need for shelter, rather than her attendance at a particular workplace. Her travel is between her temporary accommodation and her temporary workplace. The cost of accommodation is not attributable to the cost of that travel so she is not entitled to tax relief for the cost of the accommodation.

Claire is, however, entitled to tax relief for the cost of travel between her temporary accommodation and her temporary workplace.

This is an example of an itinerant employee who has no permanent home and makes her home wherever her work happens to take her. She cannot deduct the cost of her accommodation because she incurs no additional expense.

5.7

In addition, no tax relief is available for costs incurred as a consequence of the travel that are not incurred in travelling, but result from the circumstances of the employee, for example the cost of putting a pet dog in kennels while away from home.

Other costs incurred while travelling on business

5.8

Travel costs can include other costs that form an integral part of the cost of the business journey. This could include toll fees, congestion charges, vehicle hire charges, car parking or the cost of temporary accommodation.

Some expenditure that an employee might incur while making a business journey is not expenditure due to that journey and so no tax relief is available under the general travel rules. This will include, for example, private telephone calls, newspapers and laundry. Tax relief for these costs may be available as incidental overnight expenses (see paragraph 8.2).

In addition, no tax relief is due for costs arising as a result of the business travel that stem from the personal circumstances of the employee. For example, no tax relief is due for the cost of a babysitter that the employee may need to pay while away from home.

Where tax relief for business travel using an employee's own vehicle or bicycle is given at statutory mileage allowance relief rates a distinction must be drawn between costs that are incurred in connection with the use of that vehicle and other costs of business travel.

No tax relief is permitted for actual costs that are incurred in connection with the use of that vehicle. This might include petrol, oil, servicing, repairs, car hire charges and other costs of using that vehicle. All of these costs are replaced by the statutory rate.

Choice of route

5.9

To qualify for tax relief, a journey does not have to be made by the shortest route if another route is more appropriate – for example, using the M25 to go round London rather than driving through the middle. Similarly, a business journey will still qualify for tax relief if the employee makes a short detour for a meal.

5.10

There are limits to the flexibility allowed. If an employee makes a significant detour to visit a particular restaurant we'd regard that part of the journey as private. An employee travelling on business who makes a detour for private purposes will still be entitled to tax relief for the full cost of the business part of the journey but not for the private detour.

Example

During the course of a business trip, Tom takes the opportunity to visit his mother. To the extent that Tom's journey would otherwise qualify for tax relief, the fact that he makes a social call on the way does not affect the tax relief available. However, if the social call involves a significant detour, that detour is not in the performance of the duties of his employment and not due to attendance at a particular workplace. So no tax relief is available for the cost incurred in making the detour.

5.11

Where, in the course of a business journey, an employee incurs additional expenditure through genuine error, we'll regard that expenditure as a cost of business travel rather than personal expenditure.

Example

Christine has to travel on business from her home in the south of England to Scotland. She travels by train. In error, she travels up the West Coast when her ticket is valid only for the East Coast route. She incurs substantial extra cost because she has to buy another ticket. She is entitled to tax relief for this expenditure as well as the cost of her original ticket as part of the cost of her business travel.

Scale of expenditure

5.12

The cost of business travel will not normally have any bearing on whether or not tax relief is available. For example, we would not seek to disallow first class rail travel on the grounds that only standard class was necessary for a journey.

5.13

Where the travel arrangements are unusually lavish, we will consider whether, on the facts of the case, the expenditure is really due to business travel, or is, for example, some sort of reward, or part of their normal remuneration. However, we will not seek to deny tax relief for the cost of a journey, hotel room or meal simply because a less expensive alternative is available.

Cost of journeys by car – employee's own vehicle

5.14

The same rules apply for working out what types of journeys in employees' own vehicles qualify for tax relief as for journeys by any other form of transport. There are, however, special rules for working out the amount of tax relief that an employee can get for business travel in their own vehicle. For more details of how to work out the tax relief see booklet 480, 'Expenses and benefits. A tax guide'.

These rules also determine the way in which employers report details of mileage payments to us. For more information, see the latest edition of booklet CWG2, 'Employer Further Guide to PAYE and NICs'.

These rules provide for a maximum amount that can be paid free of tax to employees using their own vehicles for business travel. If employers pay more than the maximum amount, the excess must be added to any other earnings the employee receives in the earnings period in which they make the payment of motoring expenses. The employer should work out any tax due on the employee's total earnings.

5.15

To work out whether tax is due on mileage allowance payments multiply the number of business miles travelled by the employee by an approved rate. This will be the maximum amount that can be paid free of tax. Then compare the amount that has been paid to this maximum. Tax is due on any amount over the maximum. See booklet 480, 'Expenses and benefits. A tax guide'.

5.16

For cars and vans the rate to use is our approved mileage rate. This is currently 45p per mile for the first 10,000 business miles and 25p per mile thereafter.

5.17

Employers can also pay employees travelling on business a tax-free and NICs-free allowance for passengers who are also travelling on the employer's business. For this payment to be free of tax and NICs the passenger must also be an employee for whom the journey is business travel. For more details of how to work out the tax relief see booklet 480, 'Expenses and benefits. A tax guide'.

Company cars and vans

5.18

An employee who is provided with a company car or van, or with fuel for private use in a company car or van, is taxed on that benefit. You can find the rules for when a tax charge arises, and for working out the amount of tax charge, in Chapters 11 to 15 of booklet 480.

Chapter 6 - National Insurance contributions

Payment of business expenses

6.1

The rules for NICs broadly follow the rules for tax on permanent and temporary workplaces. If a liability for NICs arises, that will depend on how the travel cost incurred by an employee are met. Where the employer reimburses the employee's travel costs for journeys to a temporary workplace, or directly pays for business travel arranged by employees on their own behalf, Class 1 NICs will not be due if the business travel expenses are reasonable.

No Class 1 NICs are due where an employer makes a travel payment which does no more than reimburse an employee for the **full** cost of business travel. Where there is a Class 1 NICs liability, it must be accounted for through the payroll in the earnings period in which the payment is made.

If an agreed rate is paid for common business expenses (eg using HMRC's benchmark scale rates, or an agreed bespoke scale rate) then no NICs will be due on that payment. If a round sum allowance is paid then NICs will be due, however, if the employer can actually identify the quantum of any specific business expenses within the round sum allowance then this amount can be excluded from NICs liability.

In practical terms if a round sum allowance is paid to an employee in one month and no specific and distinct business expenses from previous months have been deducted, the whole of the payment will attract Class 1 NICs.

If actual expenses are then presented to the employer in subsequent months deduct those expenses from a future months allowance and exclude that element of the allowance from Class 1 NICs.

There are special rules for working out NICs on motoring expenses paid to employees who use their privately owned vehicles for business travel - see paragraph 6.3.

Employer arranged transport

6.2

Where the employer arranges or provides travel facilities, Class 1A NICs will be due unless the benefit is exempt from tax. If the benefit is exempt from tax it will also be exempt from Class 1A NICs. Where the travel facility is not exempt from tax, but the employee is entitled to tax relief set against it, Class 1A NICs will not be due if the tax relief covers **the whole cost** of the travel facility.

In any other case, Class 1A NICs will be due on **the whole cost** of the travel facility, including any part covered by tax relief available to the employee.

Example

Nicole's employer pays her £25 to buy a rail ticket to attend a training course at her regional training centre. Nicole decides to go by bus. The return bus fare is £10. The £15 not spent is earnings and Nicole's employer should add it to her other earnings in that pay period to determine the Class 1 NICs due.

Example

Nigel is sent to work at a temporary workplace for 4 weeks. As well as his travelling expenses he is given £50 a night subsistence to cover the cost of bed and breakfast at a hotel near the temporary workplace. However, Nigel stays with a friend and incurs no accommodation costs. The £50 a night he is paid by his employer is earnings and should be added to Nigel's other earnings in the pay period to determine the Class 1 NICs due.

Example

Nikki is sent to work at a temporary workplace for 3 months. Her employer arranges for her to stay at a hotel near her temporary place of work and pays the hotel direct for her accommodation and meals. Nikki travels home every Friday. No Class 1A NICs are due as Nikki is entitled to full tax relief for tax purposes on the costs met by her employer.

Example

Catriona is sent by her employer to work at a temporary workplace for 5 days. As the temporary workplace is close to where her aunt lives, her employer agrees to pay for Catriona to stay for a further 2 days. As the costs met by the employer are a mix of business and private, the full amount paid by the employer is liable to Class 1A NICs, even though Catriona is entitled to tax relief for the 5 days.

Motoring expenses for use of own vehicle

6.3

There are special rules for working out the amount of NICs that are due on motoring expenses paid to employees who use their own vehicles for business travel. These rules apply to all motoring expenses, including mileage allowances which are based on a set rate per mile, lump sums, business use car allowances and payments for fuel purchased for business use. The rules also apply to employees who use their own vans, motorcycles or cycles. See booklet 480 'Expenses and benefits. A tax guide'.

The rules do not apply to travel facilities arranged or provided by the employer. See paragraph 6.2.

6.4

Under these rules there is a maximum amount that an employer can pay free of NICs to employees who use their own vehicles for business travel. Where employers pay more than the maximum amount, add the excess to any other earnings the employee receives in the earnings period in which the payment of motoring expenses is made. Then work out the Class 1 NICs on the employee's total earnings.

6.5

To work out whether Class 1 NICs are due on mileage allowances, multiply the amount of business miles travelled by the employee by an approved rate. This will be the maximum amount that can be paid free of NICs. The maximum is then compared to the amount that has been paid. Class 1 NICs are due on any amount over the maximum. See booklet 480 'Expenses and benefits. A tax guide'.

6.6

For cars and vans the rate to use is HMRC's approved mileage rate. For tax purposes this is currently 45p per mile for the first 10,000 business miles and 25p per mile thereafter. For NICs, the scheme uses the higher or highest of HMRC's approved rates, currently 45p per mile, for all business miles.

Chapter 7 - Special tax rules on foreign travel

7.1

There are special tax rules which give extra tax relief for travel by some employees who work abroad, or come from abroad to work in the UK.

The full cost of foreign travel may qualify (in the same way as the full cost of domestic travel) for tax relief under the general travel expenses rules. Employees may instead be entitled to tax relief under the special rules which apply only to foreign travel but generally it will be sensible to consider first whether tax relief is available under the general travel expenses rules.

There are special rules for working out the tax relief on motoring expenses paid to employees who use their own vehicles for business travel - see paragraph 9.12.

7.2

This chapter contains the technical terms resident and domiciled.

These are included in the glossary at the back of this guide but in very general terms:

- an employee is **resident** in the UK if he or she is physically present here on a regular or frequent basis
- an employee is **domiciled** in the UK if the UK is their permanent home

7.3

There are different special rules for:

- employees resident in the UK and who carry out all the duties of their employment abroad (see paragraphs 7.4 and 7.5)
- employees resident in the UK and who carry out part of the duties of their employment abroad (see paragraphs 7.6 and 7.7)
- employees not domiciled in the UK who work in the UK (see paragraphs 7.8 and 7.9)

People carrying out all their duties abroad

7.4

An employee who is resident in the UK and who carries out all their duties abroad is entitled to tax relief:

- when they start the job abroad – for the full cost of travelling from anywhere in the UK to the place abroad where they will be working
- when they finish the job abroad – for the full cost of travelling back to anywhere in the UK
- while they are working abroad – for the cost of accommodation and subsistence but only to the extent that this cost is included in the employee's earnings, for example, where the cost is borne or reimbursed by, or on behalf of, their employer

If the employee has 2 jobs – for the full cost of travelling from where they do one job to where they do the other. But an employee is entitled to tax relief for these expenses only if:

- they are living in the UK
- their employer is resident in the UK

Example

Karen is resident and domiciled in the UK. She travels from her home in Bristol to start a permanent job in Munich. Karen is not entitled to tax relief for the full cost of her journey to Munich under the general expenses rules because this journey is ordinary commuting. But she is entitled to tax relief for the cost of the journey under the special rules on foreign travel. Her employer provides her with free board and lodging in Munich.

This gives rise to a taxable benefit and Karen is not entitled to tax relief under the general expenses rules to set against that benefit. But she is entitled to tax relief set against the benefit under the special rules on foreign travel.

7.5

An employee who is resident in the UK and carries out all their duties abroad is also entitled to tax relief if the duties:

- can only be carried out abroad – for the full cost of journeys to and from anywhere in the UK made during the time he or she works abroad
- keep the employee abroad for 60 days or more – for the full cost of a spouse or civil partner and children travelling from anywhere in the UK to visit or accompany the employee to the place where he or she is working and their return journey back to the UK

The employee can only get tax relief for up to 2 outward journeys and 2 return journeys in each tax year for each member of their family.

But the employee can get tax relief for these expenses **only** if the cost is included in the employee's earnings, for example, where the cost is borne or reimbursed by, or on behalf of, their employer.

Example

Colin is resident and domiciled in the UK. He gets a job in Japan. While he is working in Japan he makes 5 visits to the UK. He buys a return ticket each time. His employer reimburses the cost of the first 4 visits but does not reimburse the cost of the fifth visit. Colin is entitled to tax relief under the special rules for the full cost of the return journeys for the first 4 visits.

He is not entitled to tax relief for the fifth visit because his employer did not reimburse the cost of his ticket.

People carrying out part of their duties abroad

7.6

An employee who is resident in the UK and carries out part of their duties abroad is entitled to tax relief if the duties:

- can only be carried out abroad – for the full cost of all journeys from anywhere in the UK to the place where the employee is working and return journeys to the UK
- keep the employee abroad for 60 days or more – for the full cost of a spouse or civil partner and children travelling from anywhere in the UK to visit or accompany the employee to the place where he or she is working, and their return journey back to the UK

The employee can only get tax relief for up to 2 outward journeys and 2 return journeys in each tax year for each member of their family.

But an employee can get tax relief for these expenses **only** if these costs are included in the employee's earnings, for example, where the costs are borne or reimbursed by, or on behalf of, their employer.

Example

Pam has to go to Paris to carry out some of the duties of her job. She goes for 3 weeks in January and for a further 15 weeks from the beginning of March. Pam's daughter goes to Paris to visit her on 4 separate occasions: one in January, 2 in March and one in May. Pam's employer reimburses the cost of all these journeys. The reimbursed cost gives rise to a taxable benefit.

Pam is entitled to tax relief under the special rules for the full cost of her daughter's 2 journeys in March and the one journey in May. She is entitled to tax relief for the full cost of all 3 journeys because 2 fall in one tax year and the third falls in the next tax year.

Pam is not entitled to tax relief for the cost of the journey in January because she was not away on business for 60 continuous days.

Example

Stephen is resident in the UK. He is employed by a construction company on many different sites in the course of a year both in the UK and abroad. He does not have a permanent workplace. He goes to work on a site in Germany for 3 months. While he is in Germany he stays in lodgings.

Under the special rules Stephen would be entitled to tax relief for the full cost of his journey to Germany but not for the cost of his lodgings.

Under the general expenses rules Stephen would be entitled to tax relief for the full cost of his journey and his lodgings while he is away because his lodgings are treated as part of the cost of his travel, see paragraph 5.4. Stephen will, therefore, be entitled to more tax relief under the general expenses rules than under the special rules on foreign travel.

7.7

An employee who is resident in the UK and has 2 jobs where part of the duties of at least one of them is carried out abroad, is entitled to tax relief for the full cost of travelling between them as long as one end of the journey is outside the UK.

But the employee is entitled to tax relief for this expense only if:

- they are living in the UK
- their employer is resident in the UK

People from abroad coming to work in the UK

7.8

An employee is entitled to tax relief under these special rules only if they meet certain conditions. To decide whether an employee is entitled to tax relief under the special rules it is necessary to find out on what date they came to the UK to work, work out which tax year that date falls into, and ask:

- was the employee resident in the UK in either of the 2 tax years which ended before the tax year in which that date falls?
- was the employee in the UK, for any reason, at any time in the 2 years ending on the day immediately before that date?

If the answer to **either** of these questions is 'no', then the employee is entitled to tax relief under the special rules.

If the answer to **both** of these questions is 'yes', then the employee is **not** entitled to tax relief under the special rules. However, they are still entitled to tax relief for the full cost of business journeys under the general expenses rules.

Example

Patsy is domiciled in Australia. She came to the UK on 3 February 2015 to work in Lincoln. She had been to the UK in 2014 for a holiday but has never been resident in the UK.

Patsy arrived to work in the UK in the tax year 2014 to 15. She had not been resident in the UK in either 2012 to 13 or 2013 to 14. This means she is entitled to tax relief under the special rules.

7.9

An employee who:

- is not domiciled in the UK but who works in the UK
- meets the necessary conditions (see paragraph 7.8)

is entitled to tax relief under the special rules for 5 years from the date they came to the UK:

- for the full cost of journeys from the place where the employee usually lives to the place where they are working in the UK and back home after carrying out those duties – the requirement that the journey must be to a place in the UK to perform duties of the employment can be taken to mean travel to the place where the employee lives in the UK whilst performing the duties of the employment – there is no limit to the number of journeys for which an employee can get tax relief
- if the employee's work in the UK keeps them in this country for 60 days or more – for the cost of a spouse or civil partner and children travelling from their home to visit or accompany the employee to the place where they are working in the UK, and their return journey

The employee can only get tax relief for up to 2 outbound journeys and 2 return journeys in each tax year for each member of their family.

But the employee is entitled to tax relief for these expenses only if the costs are included in the employee's earnings, for example, where the costs are borne or reimbursed by, or on behalf of, their employer.

Example

Ben is domiciled in Canada but works in the UK and meets the conditions in paragraph 7.8. He came to work in the UK in January 2011. In December 2013 he travelled back to Canada to visit his parents. His employer paid for his travel costs from his home to the airport and his flight ticket. This gave rise to a taxable benefit, but Ben was entitled to tax relief under the special rules to set against that benefit.

In March 2016 Ben travelled back to Canada again. Once again his employer paid for his ticket and this gave rise to a taxable benefit. But this time Ben was not entitled to tax relief under the special rules on foreign travel because his trip to Canada took place more than 5 years after the date on which he arrived in the UK.

Extra costs of foreign travel

7.10

Where an employee is entitled to tax relief under the special rules on foreign travel for the full cost of a journey, they are also entitled to tax relief for:

- the cost of any inoculations required for that journey
- the cost of any visas required for that journey

7.11

An employee who goes abroad to work can also get tax relief for medical treatment provided abroad, or insurance against the cost of medical treatment provided abroad, where these expenses are borne or reimbursed by, or on behalf of, their employer.

Chapter 8 - Tax rules on other types of travel and related expenses

8.1

This chapter explains the tax treatment of some other types of travel and related expenses. The NICs treatment will in most cases follow that for tax. You can find more information in the latest edition of booklet CWG2, 'Employer Further Guide to PAYE and NICs'.

Incidental overnight expenses

8.2

An employee making a business trip may spend money on items such as private phone calls, laundry and newspapers. These are not 'travel expenses' – they are personal expenses incurred while travelling. An employee is not entitled to tax relief for personal expenses of this kind under the normal travel rules. But there is a separate rule which gives tax relief for these expenses in certain circumstances.

8.3

Employees who stay away overnight while travelling on business, or attending work-related training of the kind described in paragraphs 8.7 and 8.8, are entitled to tax relief for personal expenses they incur where these are paid for or reimbursed by, or on behalf of, their employer. Employees are not entitled to tax relief for expenses they pay out of their own money which their employer does not reimburse.

8.4

Employees are entitled to tax relief for these expenses if the employer pays or reimburses no more than:

- £5 for every night spent away on business in the UK
- £10 for every night spent away on business outside the UK

Example

Sally stays in a hotel in Peterborough for 3 nights as part of a business trip. During that time she spends £3.50 on personal telephone calls and £1.50 on newspapers. Her employer reimburses these expenses. Sally is not entitled to tax relief for these expenses under the normal travel rules but she is entitled to tax relief under the separate rule for incidental overnight expenses.

Example

Mary stays in a hotel in Cambridge for 4 nights as part of a business trip. Her employer pays her £5 for each night to cover her incidental expenses even though Mary does not spend the full amount. Mary is not entitled to tax relief for these payments under the normal travel rules but she is entitled to tax relief under the separate rule for incidental overnight expenses up to the amount of expense she incurred. The additional amounts over and above her actual expenses are chargeable to tax and NICs as earnings from her employment.

8.5

Where the employer pays more than the amounts shown in 8.4, unless there is an established policy which requires employees to repay any excess over these amounts (and repayment is made within a reasonable time), the employee is taxed on the **full amount** paid by the employer and is not entitled to any tax relief to set against that amount.

Example

Philip stays in a hotel in Sheffield for one night as part of a business trip. His employer gives him an allowance of £6 to spend on personal expenses. Philip is taxable on the whole of the £6. He is not entitled to any tax relief under the separate rule for incidental overnight expenses because his employer has paid him more than £5 a night.

8.6

An employer should apply the limits specified to the whole period an employee spends away not to each night separately.

Example

Jackie stays away on business in Exeter for 3 nights. Her employer reimburses the following personal expenses.

	£
Night 1	5.50
Night 2	6.00
Night 3	2.50
Total	14.00

Jackie is entitled to tax relief for all these expenses. Her employer reimbursed more than £5 on nights 1 and 2 - but over the period of 3 nights Jackie's employer did not reimburse more than £15 in total.

Training courses provided by employers

8.7

Employees who travel to work-related training where the cost of their journey is paid for or reimbursed by, or on behalf of, their employer, are entitled to tax relief for the amount paid or reimbursed by their employer. They are also entitled to tax relief for incidental overnight expenses where the appropriate conditions are met (see paragraph 8.3). But employees are not entitled to tax relief for expenses they pay themselves and which their employer does not reimburse.

8.8

The definition of work-related training is wide enough to cover most types of training in genuine workplace skills. But it does not include training offered as a reward or an inducement. So a sales techniques course in the UK for a company's sales team will be work-related training but a conference in the Seychelles for the firm's top ten salesmen will not.

Example

Patrick is a cook working in Preston. His employer pays for him to go on a 10-month course at a college in Blackpool to improve his catering qualifications.

He travels to Blackpool daily and his employer pays him travel costs. Patrick is not taxed on these payments.

Example

Sandra is a sales administrator working in Evesham. As a reward for meeting all her targets, her employer pays for her to take a course in genealogy at a college in Birmingham. No tax relief is due in respect of the travel costs that Sandra incurs in attending this course as the training is not related to her employment.

Removal expenses

8.9

Where an employee has to move home because of their work, the employee is entitled to tax relief for the first £8,000 of qualifying removal expenses where these are paid or reimbursed by, or on behalf of, the employer. Employees are not entitled to tax relief for expenses they pay out of their own funds and which their employer does not reimburse.

8.10

Some of the removal expenses for which tax relief is available include the cost of making certain journeys and related subsistence.

For example they might include:

- preliminary visits to the new location
- travelling between the old home and the new workplace
- travelling between the new home and the old workplace (where the employee moves house before moving jobs)
- temporary living accommodation
- travelling between the old home and the temporary living accommodation
- travelling from the new home to the temporary living accommodation (where the employee moves house before moving jobs)
- travelling from the old home to the new home when the employee moves house

Example

Sanjay's employer requires him to move from Cardiff to Norwich. He travels to Norwich on 3 occasions to look at houses. His employer reimburses the cost of 2 of these visits but not the third. Sanjay is entitled to tax relief for the cost of 2 of these visits but not for the third because his employer did not reimburse the cost.

Sanjay starts work in Norwich and stays in bed and breakfast accommodation for around 3 months until he sells his house in Cardiff. His employer pays for his journey to Norwich and his accommodation. Subject to the £8,000 limit, Sanjay is entitled to tax relief for both the full cost of his journey to Norwich and the cost of his accommodation.

Example

Adam's employer requires him to move from Sheffield to Coventry. He travels to Coventry on 4 occasions to look at houses. His employer reimburses the cost of these visits. Adam is entitled to tax relief for the cost of all of these visits because his employer reimbursed the cost.

Adam starts work in Coventry and stays in rented accommodation for around 6 months until he sells his house in Sheffield. His employer pays for his journeys to Coventry, his temporary accommodation and his qualifying removal expenses. The total cost to the employer is £9,500. Adam is entitled to tax relief for the first £8,000 of costs paid by his employer, but is chargeable to tax and NICs on the excess.

See booklet 480, 'Expenses and benefits. A tax guide'.

Directors who are acting for a professional practice

8.11

Professional people such as solicitors are sometimes made directors of companies for their professional practice and not for any other reason.

They will not have any direct or indirect financial interest in the company.

8.12

Where this happens the expenses they incur in carrying out their duties as a director are treated for tax purposes as expenses incurred by the professional practice. This means the professional practice gets tax relief for these expenses when its taxable business profits are worked out.

8.13

Where someone is a director acting for a professional practice and the company pays for reasonable travel expenses, the director is entitled to tax relief for those expenses provided the professional practice does not claim tax relief for them when it works out its taxable business profits.

Example

Melissa is a solicitor who is a partner in a local firm. She is executor to the estate of Saul who was the only shareholder in a property holding company. As part of her duties as executor Melissa becomes a director of the company and arranges to sell it. She visits a number of people who are interested in buying the company and the company reimburses her for the cost of these journeys. Melissa is entitled to tax relief for the expenses provided that her firm does not claim tax relief for these expenses when it works out its taxable business profits.

Directors who are not paid

8.14

Where:

- a director gives their services to a company without remuneration
- the company is a not for profit company – for example, a company owning a hall or sports ground or running a club

the director is entitled to tax relief for any payments they receive to cover the cost of travel and subsistence.

Example

Sean is a director of a company which runs the local parish carnival. The company is not run with a view to dividends and Sean is not paid a wage for the work he does.

He visits a number of marquee specialists to discuss his requirements and the company reimburses his travelling expenses. Sean is entitled to tax relief for the reimbursed expenses.

Disruption to public transport caused by strikes

8.15

Sometimes when public transport is disrupted by a strike or other industrial action an employee will incur extra costs travelling to or from their place of work or staying in a hotel or other overnight accommodation at or near their permanent workplace. Where the employer provides reasonable amounts towards the cost or meets the costs directly (for example, through a block booking) the employee is entitled to tax relief for the amount paid by their employer. But where an employee spends more on ordinary commuting or subsistence because of a strike and the employer does not reimburse that sum, the employee is not entitled to tax relief for the extra expense.

Example

Hilary travels to work in Southampton by train and bus. Public transport is disrupted as a result of a strike. Hilary cannot get home easily and her employer agrees to pay for her to stay in a hotel near her place of work. Hilary is entitled to tax relief for the cost of the hotel room provided by her employer.

Late night travel home

8.16

In general, where an employer provides free transport or pays for transport for an employee's journey between home and a permanent workplace:

- the employee will be taxed on the benefit of the free travel
- the employee will not be entitled to tax relief to set against that benefit

8.17

However, an employee will be entitled to tax relief where they are occasionally required to work late, **but:**

- those occasions are irregular
- by the time the employee can go home
 - public transport has stopped
 - it would not be reasonable for the employer to expect the employee to use public transport, for example where the low level of availability or reliability of services at that time of night mean that a journey using public transport would be likely to take much longer than a normal journey between work and home

Where **all** these conditions are met the employee is not taxed if the employer provides a taxi, hire car or similar private transport to take him or her home:

- 'work late' means working until 9pm or later
- 'irregular' means a pattern that is not predictable – for example, if late night transport is provided every Friday this is not irregular

8.18

Tax relief is not available under this rule:

- where employees work late by choice
- where late working is a regular feature of an employee's job – for example people employed in restaurants, clubs and pubs whether on a shift basis or not, or those on regular call-out duty
- where employees incur expenses on travelling home late but the employer does not reimburse those expenses
- for more than 60 journeys in a tax year

Example

Jamir has a job providing support for an office computer system. He normally works 8am to 5pm and travels to work by bus. Three or four times a year he is required at short notice to stay at the office until 10pm to solve problems with the computer system. The bus service stops running at 8pm so when he is required to work late his employer pays for a taxi to take him home. Jamir is not taxed on the benefit of the free transport home.

Car-sharing breakdown

8.19

Where an employee who regularly travels to work as part of a car sharing scheme finds that due to unforeseen and exceptional circumstances they cannot on a particular occasion get home in the shared car, an employer can pay or provide for the employee's journey home tax-free and NICs-free.

8.20

Unforeseen and exceptional circumstances include those where the employee travels home at their normal time but, for reasons beyond their control, they cannot travel in the shared car at that time.

8.21

They do not include circumstances where, on any occasion, inability to travel home in the shared car might reasonably have been anticipated before the employee set off for work that day. Nor is this allowed on more than 60 journeys in a tax year. Any journeys that qualify for tax relief under the late night travel rules must be included in working out whether the limit of 60 journeys has been reached.

People with disabilities

8.22

Where an employee with a disability:

- is provided with a means of travelling to or from their place of employment
- receives financial assistance with the cost of travelling between home and their permanent workplace

the employee will not be taxed on this benefit.

But if the cost is not met by their employer, or some other third party, the employee is not entitled to tax relief.

Expenses of a spouse accompanying an employee on a business trip

8.23

In general, where an employer pays for an employee to take their spouse on a business trip, the employee will be taxed on the cost of the spouse's travel. Tax relief may be available where the spouse has some practical qualifications directly associated with the purpose of the trip and which he or she regularly uses to assist the employee. Tax relief is also normally available for a spouse's expenses where the employee's health is so poor that it would be unreasonable to expect them to travel alone.

Car parking

8.24

Where an employer provides a free parking space or reimburses the cost of a parking space at or near an employee's place of work, there is no tax charge.

Employees are not entitled to tax relief for these costs if they pay them out of their own money which their employer does not reimburse.

Offshore oil and gas workers

8.25

Workers on offshore oil and gas rigs have to travel from the mainland to the rig. Their employer or a third party usually provides free transport or pays for this part of their journey. Where this happens, the employees are entitled to tax relief for the full cost of the transport provided.

8.26

Sometimes the transport from the mainland to the rig leaves at a time that means the employees have to stay overnight on the mainland close to where the transport leaves. Where this happens and the employer provides, or pays for, reasonable accommodation and subsistence, the employees are entitled to tax relief for the cost of that accommodation and subsistence. No tax relief is available if the employee pays for accommodation and subsistence themselves and this is not reimbursed by the employer.

Working rule agreements

8.27

These agreements are drawn up between employers' federations and trade unions. They set out the terms and conditions of a large number of employees in the construction and allied industries. We have agreed not to tax some of the modest travel and subsistence allowances employees receive under these agreements.

An employee who receives tax-free allowances under a working rule agreement is still entitled to tax relief under the ordinary rules.

The employee is entitled to tax relief for:

- the full cost of the business journeys, **less**
- the amount of tax-free allowance they received

Example

Sophie is employed by a construction company. She works on many different sites in the course of a year and does not have a permanent workplace. One week she spends 4 days working on a site in Ipswich. She travels to Ipswich by train and spends 3 nights in bed and breakfast accommodation. Her employer pays her £65 tax-free travel and lodging allowances under the terms of a working rule agreement.

Sophie spends a total of £70 on her travel and subsistence in Ipswich. She is entitled to tax relief under the ordinary rules for £5 which is:

the full cost of her business journeys	£70
less the amount of tax-free allowances she received	<u>£65</u>
	£5

Chapter 9 - Employers' reporting requirements

General rule

9.1

An employer reimbursing or paying an employee's non exempt travel expenses or who pays directly for an employee's non exempt travel should:

- report details of the payments to us on form P11D by 6 July after the end of the tax year
- provide the employee with the details, or a copy of the P11D report, also by 6 July after the end of the tax year
- report details of Class 1A NICs on form P11D(b)

References here and elsewhere to form P11D apply equally to equivalent returns, including returns in an alternative format agreed with us.

9.2

Employers must also report the cash equivalent of any non exempt benefit including travel benefits – for example, the provision of overnight accommodation or other travel facilities.

Exceptions to the general rule

9.3

Details do not have to be reported on form P11D if the payments:

- are not taxable
- are covered by an exemption (see paragraphs 10.1 to 10.9)
- are included in a PAYE Settlement Agreement (PSA) (see paragraphs 10.10 to 10.12)

The rules for reporting mileage expenses payments made to employees using their own vehicle for work are different to the general rules on reporting payments. See paragraph 9.12.

What employers have to report

9.4

Except for those items detailed in paragraph 9.3, employers must report on the P11D:

- the full amount of any cash payment made direct to employees (or to some other person to settle a bill in the employee's name) to meet the cost of travel - but see paragraph 9.12 for details of the special rules for mileage allowance payments for business travel in the employee's own vehicle
- the cost of any travel tickets, accommodation, meals or other travel facilities purchased by the employer and used by employees
- the cash equivalent of any in-house provision of transport, accommodation, meals or other travel facilities to employees
- the cash equivalent of any travel facilities the employer arranges to be provided by a third party

9.5

In every case (unless covered by an exemption or included in a PSA), the amount to include on the form P11D is the amount of the payment or cash equivalent **before** any tax relief to which the employee may be entitled. The only exception to this is for mileage allowance payments for travel in the employee's own vehicle, where the rules require an employer to include the excess over the tax-free amount when completing form P11D. See Appendix A.

Round sum allowances

9.6

If an employer pays an employee a round sum allowance for business travel, we don't regard it as a reimbursement of actual expenditure incurred. The whole of the allowance should be treated as gross pay for PAYE purposes. However, where HMRC agrees, within an approval notice (see paragraphs 10 to 10.9), that the payment is clearly intended to do no more than reimburse an employee for an expense actually incurred in the performance of their duties the employer can pay the allowance without deducting tax and NICs. Before doing this, HMRC will need to be satisfied that the allowance will do no more than reimburse the costs incurred.

For guidance on the NICs position, see the latest edition of booklet CWG2.

Example

Bill's employer pays him up to £18 a night to cover the cost of an evening meal when he has to stay away overnight on business. The employer only allows him to claim the amount he has actually spent, up to this limit to purchase his evening meal - not, for example, if he is taken out to dinner by a client. As the employer agrees that this payment is designed to do no more than reimburse expenditure actually incurred the payment is exempt and does not need to be reported on form P11D or be subject to tax and NICs.

Example

Tracy is a safety inspector who travels regularly on business. Her employer pays her £300 to cover the cost of her hotel room and evening meal, regardless of how she spends it, and does not seek repayment of any amount not spent. She rarely spends more than £150. Tracy's employer must deduct tax and NICs on these round sum allowances. Tracy can claim tax relief for the full cost of her business travel at the end of the tax year.

Reimbursement of travel expenses

9.7

An employer does not have to deduct tax and NICs on payments to employees in respect of business travel where the amounts paid are exempted from charge because they:

- do no more than reimburse costs actually incurred in making a business journey
- are based on an agreed 'scale rate' within an approval notice and designed to do no more than meet expenses actually incurred

9.8

Where a payment to an employee in respect of business travel:

- exceeds the expenses actually incurred
- is based on a scale rate that HMRC has not agreed as clearly designed to do no more than meet expenses actually incurred
- is a round sum allowance that HMRC has not agreed

the **full** amount of the payments must be included as gross pay for tax and NICs purposes.

Except for business mileage, where special rules apply, the employee will still be entitled to tax relief for the full cost of business travel incurred.

Example

Neil's employer pays him a round sum allowance of £35 to cover the costs of a journey he makes from his employer's office in Reading to visit the employer's other office in Windsor. The employer has no agreement with HMRC in respect of travel payments. Neil only spent £28 on his travel and subsistence costs, and the employer does not seek a repayment of any amount that Neil does not spend. The employer should subject the whole of the payment to PAYE. Neil is entitled to claim tax relief for the travel costs that he did incur for business miles that he has travelled. See paragraph 5.16.

9.9

Where an employer pays for the cost of an employee's ordinary commuting journey the full amount of the payments must be included as gross pay for tax and NICs purposes.

Provision of travel facilities

9.10

Where, instead of reimbursing travel expenses, an employer:

- meets directly an employee's liability, for example by paying a hotel bill
- provides vouchers (such as rail or air tickets) or a credit card for the employee to buy travel facilities

the provision of this facility will be covered by the exemption for paid or reimbursed expenses (see paragraphs 10.1 to 10.9).

9.11

Example

Beverley attends a staff conference to review the year's results. She travels by train to the conference venue using a ticket supplied by her employer. Accommodation is provided in a facility owned by Beverley's employer and meals provided at the conference venue are paid for directly by Beverley's employer. Beverley will be entitled to tax relief for the full costs incurred (by her or by her employer on her behalf).

Payments to employees for using their own vehicles for work

9.12

Employers must use a special system for working out and reporting any taxable part of all payments made to employees for the expenses of business travel in privately owned cars, vans, motorcycles and cycles. For more details about these rules, see Chapter 16 of booklet 480 or the latest edition of booklet CWG2.

Table of reporting requirements

9.13

A table setting out what employers have to report for tax and NICs is at Appendix A.

Chapter 10 - Expenses exemption and PSAs

Exemption for paid or reimbursed expenses

10.1

From 6 April 2016 an exemption for paid or reimbursed expenses replaces dispensations. Where an expense is paid or reimbursed which would be fully deductible there is no requirement for an employer to report expenses and benefits on which no tax is ultimately payable.

10.2

Where the exemption is in force, it applies both for tax and National Insurance purposes.

It means that the employer:

- does not have to report to us expenses and benefits that the exemption covers
- does not have to provide employees with details of the expenses and benefits they receive which the exemption covers (although it may reduce queries if the employer tells employees about the exemptions which apply to them)
- does not have to include, for Class 1 NICs purposes, the expenses payments in the employees' gross pay
- does not have to pay Class 1A NICs on any benefits covered by the exemption

If employers are in doubt at any time, they should ask HMRC for advice. The exemption for paid or reimbursed expenses does not apply to expenses that are paid or reimbursed under a relevant salary sacrifice scheme.

What the exemption can cover

10.6

The exemption can cover any travel expenses and benefits for which there is a matching tax deduction. The employer has to be satisfied that travel expenses and benefits covered by the exemption are calculated and paid on the basis that they are clearly intended to do no more than reimburse employees for expenses actually incurred in making genuine business journeys.

10.7

The sort of items which the exemption can cover are:

- air and rail tickets provided for business travel
- payments for subsistence while on business travel
- hotel bills paid directly by the employer

10.8

The exemption does not apply to fuel, a company car or business mileage payments for travel in employees' own vehicles.

10.9

Employers wishing to pay/reimburse employee expenses with a 'scale rate' payment using the Income Tax (Approved Expenses) Regulations – previously the benchmark scale rates - will need to have a checking system in place to ensure that payments are only made on occasions where the employee would be entitled to a deduction, incurred an amount in respect of expenses on that occasion, and retained evidence of the expenditure.

Employers wishing to use a bespoke rate can apply to HMRC for an approval notice. They will need to undertake a sampling exercise to help determine the rate to apply, and will also need to have a checking system in place.

Approval notices will apply for up to 5 years, but may be subject to review from time to time. HMRC can revoke an approval notice if they consider that the employer has not met the conditions of that notice or has been negligent in its operation. If HMRC revoke an approval notice the employer will need once again to report these expenses on forms P11D after the end of the tax year. For more information, go to www.gov.uk/employer-reporting-expenses-benefits/dispensations

PAYE Settlement Agreements (PSAs)

10.10

Under the terms of a PSA an employer can agree with HMRC each year to settle in a single annual payment the Income Tax liability on certain expenses and benefits provided to its employees and the NICs liability that arises on both the benefit and the tax. Employers don't have to report payments which the PSA covers on form P11D. Nor does the employer have to provide details to the employee (although it may reduce queries if the employer tells employees about items which apply to them).

10.11

To be included in a PSA, expenses and benefits have to be of a minor or irregular nature or items where it's impracticable to operate PAYE on or determine a value for the P11D. So expenses of regular business travel would not generally be within the scope of a PSA, unless for relatively small amounts or where the benefit is difficult to attribute to individual employees (for example, shared cars and taxi journeys).

A round sum allowance for business travel is also outside the scope of a PSA. But a PSA can be used to cover expenses payments made to employees who make occasional business journeys, even if the amounts involved are substantial.

10.12

For more information about PSAs go to www.gov.uk/payee-settlement-agreements

Chapter 11 - Employer compliance

General

11.1

Employers are expected to operate systems which enable them to identify the travel expenses they pay to or for their employees. Employers who have paid travel expenses to their employees under the terms of the exemption for paid or reimbursed expenses must be able to show that they have treated those payments correctly.

Where they cannot do so we will normally ask them to account for tax and NICs.

Employers must also be able to show that they have completed forms P11D correctly.

Record keeping

11.2

Records relating to forms P11D, travel expenses or benefits provided to employees may be kept on paper, or electronically.

They must normally be kept:

- in their original form (for example, where an employee gives the employer a receipt to back up a signed expenses form, both items must be kept even if the information is transferred onto a computer)
- for at least 3 years after the end of the tax year to which they apply

Employers must make their records available to HMRC on request.

Employer compliance reviews

11.3

From time to time we review employers' records to ensure that employers have accounted for the right amount of tax and NICs at the right time, and that they have correctly completed forms P11D. We may select an employer for a compliance review for a variety of reasons. A review does not necessarily mean that an employer is thought to have treated expense payments incorrectly or made incorrect returns on forms P11D.

11.4

Our factsheets CC/FS1a, 'General Information' and CC/FS2, 'Requests for information and documents' tell employers how we carry out our reviews. In particular, they explain employers' rights and promise that we'll treat them fairly and courteously. They also promise that we will provide help where appropriate. For copies of the factsheets, go to www.gov.uk

11.5

During the review we will check that an employer has:

- properly deducted and accounted for tax and NICs
- completed forms P11D correctly
- met the terms of any approval notice in place for travel expenses and benefits
- correctly worked out and accounted for the tax due under any PSA

11.6

We will want to establish some basic facts such as:

- the nature of the business
- the size of the workforce
- the method of recording expenses payments to employees
- the systems used by the employer to ensure that tax and NICs are accounted for, at the right time

11.7

Where we establish that the employer has operated PAYE correctly we will tell them this and advise them that the review is complete. If we think there is something wrong we will tell the employer and ask for an explanation. We will also suggest how the employer can put it right for the future.

Where tax and NICs have been lost as a result of a mistake, we will provide a computation of the amount thought to be owing, and any interest and penalties which we will charge. Our factsheet CC/FS6. 'What happens when we find something wrong' explains how we work out penalties where the employer has failed to operate PAYE correctly.

11.8

Our approach is to:

- seek a settlement with the employer in respect of tax and NICs which should have been accounted for
- invite the employer to settle on a voluntary basis any tax recoverable from employees (other than directors) in respect of P11D items incorrectly reported

11.9

Where an employer can satisfy us that:

- they took reasonable care
- any underpayment of tax and/or NICs arose as a result of an error made in good faith we may direct that we recover the underpayment from the employee.

Where an employer has operated proper controls and has acted in good faith, we will not seek to recover from the employer tax and NICs which has been lost as a result of inaccurate information provided by an employee.

Providing information to HMRC and employees

11.10

We may also charge penalties for failing to send forms P11D to us and for failing to pass the information to employees.

Where there is such a failure, we will:

- remind the employer of the obligation
- encourage compliance
- charge penalties where the amount of tax is significant or the employer persists in failing to comply

11.11

We'll ask the employer to explain what went wrong before we consider any penalty action. We will not normally seek penalties from employers for errors such as the incorrect calculation of figures entered on forms P11D provided the employer has acted in good faith and the errors are few in number.

11.12

Where the employer has made an incorrect return of expenses and benefits on form P11D because an employee has provided wrong information, we will not invite the employer to settle the liabilities if it is clear that adequate controls were in place. We will instead seek the tax from the individual employee. But if there are a large number of employee failures we may take the view that the employer's controls are inadequate.

Employers and the expenses exemption

11.13

Where we discover that reimbursed travel expenses or benefits were not covered by an exemption and did not have tax and NICs deducted from them, or the travel expenses were not included on forms P11D where appropriate, we'll normally regard the employer as having failed to correctly operate PAYE and/or correctly complete forms P11D – with the result that we may seek tax, NICs, interest and penalties, as appropriate, from the employer.

11.14

Where we find out that tax may be payable on items which the employer may have considered to have been covered by an approval notice, for instance if the basis on which the approval notice was applied has changed, we may revoke the approval notice by giving notice to the employer. Where we do revoke it from the date of the notice we will not take any action against employers or employees in respect of payments made under the terms of the approval notice before that date.

11.15

From time to time employees may be found to have overstated their expense claims. To correct these errors, employers should have arrangements in place to recover from their employees any sums overpaid or, to arrange payment of tax and NICs in respect of those overpayments.

Chapter 12 - Employees' responsibilities

Record keeping

12.1

Employees, like other taxpayers, have to keep records:

- so they can complete a tax return fully and accurately if they get one
- so if they do not get a tax return they can tell us by 5 October after the end of the tax year if they have received income or gains which we do not know about
- if they want to claim tax relief

They should retain these records for at least 22 months after the end of the tax year to which they apply.

12.2

Employees do not need to enter on their tax returns - any payments or provisions which are covered by an exemption or on a PSA. Where an exemption or PSA is in place, employees are not taxable on the expenses payments they receive under the terms of that exemption or PSA. Where the employer pays or meets less than the full cost of business travel the employees are entitled to further tax relief. The employees are entitled to tax relief for the part of the cost of their business journeys that is not reimbursed or otherwise met by their employer.

Example

Yvette lives in Basingstoke and has a permanent workplace in London. One day Yvette travels by train direct from her home to meet a client in Cambridge. The ticket costs £65 but Yvette's employer only reimburses her what it would have cost to make the journey from London, £20.

Yvette is not taxable on the £20 paid by her employer because this is covered by the exemption. Yvette is entitled to further tax relief of £45 which is the extra it cost her to make the business journey over and above the amount her employer paid. Yvette can get tax relief, but not NICs relief, for the £45 by writing to her HMRC office. She is not entitled to tax relief for the £65 total cost of her ticket because she has effectively already had £20 of tax relief on the payment she received from her employer.

12.3

It helps employees if their employers tell them about exempt payments and PSA items which apply to them. However, there is no legal obligation on employers to do so.

12.4

With respect to travel, the most important things which employees should keep are:

- P11D details of expenses payments and benefits in kind
- details of claims for expenses they made to their employer and receipts which supported those claims (unless these are held by the employer)
- records they make themselves, such as mileage details where they use a car (either their own or a company car) for business journeys

12.5

Employees should check all information which they receive from their employer. If they think it is wrong or incomplete it is usually best if they approach their employer to clarify the position. If the employee is still not satisfied, they should tell their HMRC office.

12.6

More information on record keeping for employees is available in leaflet RK BK1, 'A general guide to Keeping Records for your Tax Return'. For copies of the leaflet, go to www.gov.uk

Employees who need to complete a tax return

12.7

Employees who get a tax return should, unless the item is covered by an exemption or a PSA, use it to report:

- all payments made to them
- all payments made to a third party on their behalf
- the cash equivalent of any facilities provided to them or their family by reason of their employment

Example

George travels on business. He travels from Plymouth to Bedford using a train ticket provided by his employer. His employer owns a residential training facility in Bedford where George stays during the 2 weeks he is working locally. He pays for his meals himself and the costs he incurs are reimbursed by his employer.

The cost of the ticket provided, the full amount of the reimbursements and the cash equivalent of the accommodation provided would all be fully deductible so under the terms of the exemption for paid or reimbursed expenses are all exempt and George will not need to report them on his tax return.

Employees who do not need to complete a tax return

12.8

Employers provide us with information about the income and benefits paid or provided to their employees. That means that we can usually make the calculations necessary to change PAYE tax codes.

Employees should contact us if:

- they identify errors or omissions in the information provided by their employer
- there is a change in their circumstances, for example if they wish to claim an allowance or tax relief which has changed or which they have not had before
- they have not had all the tax relief for business expenses to which they are entitled (see paragraph 12.9)
- they have income, not taxed at source, which they have not reported to us

Obtaining tax relief for expenses

12.9

Employees are entitled to tax relief against income chargeable to tax as employment income for the full cost of business travel. If they get a tax return they get tax relief by entering the appropriate amount on the return. If they do not get a tax return they can complete a form P87 or they can write to us.

12.10

Employees must be able to substantiate the statements they make. Where tax has been underpaid because an employee has obtained tax relief to which they were not entitled, or the amount of tax relief has been overstated, we will seek to recover from the employee the tax lost, together with interest and, where appropriate, penalties and a surcharge.

Employees who use their own cars for business travel

12.11

Employees who use their own cars for business travel can get mileage allowance tax relief based on a set rate per mile for specified types of vehicle.

For more details on how to work out the tax relief, see form P87 or go to www.gov.uk/expenses-and-benefits-business-travel-mileage

Appendix A - Table of reporting requirements

Type of payment		Reporting for tax	Reporting for NICs
A	Employer reimburses or otherwise meets up to the full cost of business travel.	Nothing to report.	Nothing to report.
B	Employer makes payment (or provision for travel) and the payments (or the value of any provision for travel) are more than the full cost of the business travel. PSA in place.	Nothing to report.	If payment exceeds the full cost of travel, NICs will be due on the excess and on any tax payable by the employer under the PSA. The NICs must be accounted for by 19 October after the end of the tax year (same as the PSA).
C	As in C above but no PSA in place.	Everything paid or provided to the employee, and any amount repaid (made good) by the employee, must be reported on P11D and copied to employees. Where payment exceeds full cost of travel operator PAYE on the full amount.	If payment exceeds the full cost of travel, Class 1 NICs will be due on the excess and should be accounted for in the pay period. Any Class 1A NICs due in respect of the value of any provision for travel should be accounted for on the P11D(b).
D	Employer provides a travel voucher for example an air or rail ticket.	If the voucher is for business travel there will be nothing to report. If the voucher is for private use tax will be due on the cost of providing the voucher and it should be reported on P11D.	If the voucher is for business travel there will be nothing to report. If the voucher is for private use Class 1 NICs will be due on the cost of providing the voucher and should be accounted for in the pay period.
E	Employer pays direct for an employee's business travel costs, for example settles the employee's hotel bill.	Nothing to report.	Nothing to report.
F	Employer pays directly for full travel costs incurred when employee is attending a work- related training course.	Nothing to report.	Nothing to report.
G	Employer provides overnight accommodation at conference centre for employees attending conference.	Nothing to report.	Nothing to report.
H	Employer makes mileage expenses payments for business travel in employee's own vehicle.	See paragraph 6.3	See paragraph 6.3.

Appendix B - List of HMRC publications for further information

RDR1	Residence, Domicile and the Remittance Basis
CC/FS1a	General information about compliance checks
480	Expenses and benefits. A tax guide
CWG2	Employer Further Guide to PAYE and NICs
CWG5	Class 1A National Insurance contributions on benefits in kind – A guide for employers
RK BK1	A general guide to keeping records for your tax return
P11D Guide	
Employment Income Manual	
Employer Helpbooks	

How to obtain our leaflets

Copies of our leaflets are available:

- online at www.gov.uk
- by completing the online order form at www.gov.uk/get-payee-forms
- by phone on 0300 200 3300 everyday from 8am to 8pm, textphone is available for people with hearing or speech difficulties on 18001 0300 200 3300

Most of our leaflets are available in Welsh. If you would like a Welsh leaflet, you can get copies from the Welsh Call Centre on 0300 200 1900.

Glossary of terms

This glossary explains, in broad terms, words and phrases used in this guide. For more detailed and comprehensive explanations see the legislation or HMRC publications referred to below.

Approved Mileage Allowance Payments

This is the maximum amount per mile that can be paid tax-free and NICs-free to someone who uses their own vehicle for work.

Board and lodging

This is a technical term for food and accommodation used by an employee working abroad. It is not used for any other purpose in this guide.

Business journey

Any journey:

- necessarily undertaken in the performance of the employee's duties
- to or from a place the employee has to attend in the performance of the duties of the employment, and excluding ordinary commuting

Cash equivalent

The measure of the taxable amount where employees are provided with benefits in kind.

Company car

A car made available (without the transfer of property in it) to:

- an employee
- a member of an employee's family or household by reason of the employee's employment, which is available for private use - see paragraph 5.18

Credit token

A credit card or other token which gives rise to a charge to tax under section 94 ITEPA 2003.

Dispensation

A notice given to an employer where an officer of HMRC is satisfied that no Income Tax is payable in respect of certain specified expenses payments and benefits. Dispensations ceased to have effect from 6 April 2016.

Domicile

Broadly speaking, this is the country where, in law, a person is regarded as having their permanent home. See leaflet RDR1, 'Residence, Domicile and the Remittance Basis to tax'.

Duties

The tasks an employee has to carry out in doing their job. The duties of a particular job are determined by the objective requirements of the job.

Earnings

The income of an individual who holds an office or employment. They include all salaries, fees, wages, profits and incidental benefits of any kind.

See section 62 ITEPA 2003.

Employment income

The part of the Taxes Act under which tax is charged on income from offices or employments. See section 6(1) ITEPA 2003.

Fuel benefit charge

The measure of the taxable benefit where an employee is provided with fuel for a company car. See paragraph 5.18.

Full cost

The full cost of a business journey is the total expense incurred when an employee makes a business journey. It includes the cost of necessary subsistence but does not include incidental overnight expenses.

Incidental overnight expenses

Personal expenses which are incidental to an overnight stay on business or on work-related training. See paragraphs 8.2 to 8.6.

ITEPA

Income Tax (Earnings and Pensions) Act 2003.

Ordinary commuting

Travel between an employee's permanent workplace and home, or any other place where the employee's attendance is not necessary for the performance of the duties of that employment. See paragraphs 3.2 to 3.7.

P11D

A form employers complete giving details of benefits in kind and expenses payments made to employees who, taking into account the value of those benefits, earn £8,500 or more per year. (There is a shorter form, P9D, for employees who earn less than £8,500 per year.)

P11D(X)

An application form for a dispensation.

P45

A form employers complete when an employee stops working for them showing details of the amount paid and tax deducted under PAYE in the tax year. The employee receives a copy of these details on form P45(1A).

P60

A form employers complete at the end of the tax year showing details of the amount paid and tax deducted under PAYE.

P87

A form to help people, who do not get a tax return, to claim tax relief for job expenses. Employees can ask for this, or an HMRC office may issue it (with form P810) to people who have a deduction for expenses in their PAYE tax code.

PSAs

An annual agreement between an employer and HMRC under which the employer settles in a single annual payment the Income Tax liability on minor or irregular expenses and benefits provided to employees. See paragraphs 10.10 to 10.12.

Permanent workplace

Any place which an employee regularly attends in the performance of the duties of the office or employment but which is not a temporary workplace. See paragraph 3.10.

Private travel

Travel between an employee's home and any place that is not a workplace or between any 2 places that are not workplaces. See paragraph 3.8.

Private use

Use of a car or van for journeys other than business journeys.

Resident

An employee must normally be physically present in a country to be resident there. An employee will always be resident in the UK if they are here for 183 days or more in the relevant tax year. For details of the Statutory Residence Test see leaflet RDR3.

Round sum allowance

A payment made to employees who make business journeys where the amount paid is a flat rate rather than a reimbursement of actual expenses incurred or a scale rate payment.

Scale rate

An allowance paid to employees who make business journeys where the allowance is based on, for example, a fixed amount for each mile travelled or a fixed amount for each night spent away on business.

Subsistence

Meals or accommodation that are necessary as a result of making a business journey. Subsistence does not include incidental overnight expenses. See paragraphs 5.4 to 5.7.

Tax year

The tax year runs from 6 April in one year to 5 April in the next.

Temporary workplace

A place which an employee attends in the performance of the duties of their employment and for the purpose of performing a task of limited duration or for some other temporary purpose. See paragraph 3.13.

Vouchers

All vouchers which give rise to a tax charge under sections 81 and 87 ITEPA 2003. Vouchers include travel tickets.

Workplace

A place where an employee's attendance is necessary in the performance of the duties of their employment.

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