

Budget 2010



BN30

22 June 2010

EXPENSES PAID TO MPs

Who is likely to be affected?

1. Members of Parliament (MPs).

General description of the measure

2. The Independent Parliamentary Standards Authority (IPSA) has developed a new scheme under which MPs have been paid their expenses since the Parliamentary election on 6 May 2010.
3. Legislation will be introduced in Finance Bill 2010 to amend the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) to address the tax and National Insurance Contributions (NICs) consequences of the new expenses scheme for MPs. It will consolidate existing tax and NICs treatments following the introduction of the Parliamentary Standards Act 2009 and the provision in that Act for expenses to be administered by the IPSA rather than the House Authorities. Full details will be given in guidance to MPs.

Operative date

4. The legislation will have retrospective effect on and after 7 May 2010.

Current law and proposed revisions

5. Section 292 of ITEPA exempts from income tax the Personal Additional Accommodation Expenditure (PAAE) that was paid to MPs in respect of additional expenses necessarily incurred in staying overnight away from their only or main home for the purpose of performing their Parliamentary duties prior to the 6 May 2010 Parliamentary election. The current wording of the exemption reflects the fact that payments of PAAE were made under a resolution of the House of Commons. However, following the election, expenses are now determined and paid by IPSA under its new scheme in accordance with the Parliamentary Standards Act 2009. An amendment to ITEPA is needed to reflect this.

6. Section 294 of ITEPA exempts from tax expenses paid to MPs to cover the costs of certain visits to EU institutions or to the Parliaments of other EU members. Like section 292, the exemption is tied to payments that are made in accordance with a resolution of the House of Commons. Again, these payments are now made by IPSA under its scheme and an amendment to ITEPA is needed to reflect this. The amendment also extends the exemption to cover travel to the national Parliaments of Council of Europe member states.
7. To recognise the requirement of MPs of having to carry out their duties in both their constituencies and Westminster, the rules which allow tax relief for expenses incurred on work-related travel have, under a long standing concession, been extended to allow relief for all journeys on Parliamentary business.
8. Without this, in some circumstances expenses reimbursed to MPs for travel between their constituency and Westminster would be taxable. This concessionary treatment will be ended from 7 May 2010 and instead this measure will introduce a statutory exemption for certain travel expenses paid or reimbursed to MPs by IPSA as expenses necessarily incurred in the performance of MPs' Parliamentary functions. Full details will be given in guidance to MPs.
9. Prior to 7 May 2010 MPs were reimbursed the cost of specific travel by spouses and, by concession, no liability to income tax arose. The IPSA scheme will continue to reimburse some spouse travel, but in more restricted circumstances, and a provision will be introduced to allow the tax-free treatment of these payments.
10. The costs of evening meals purchased by MPs and eaten on the Parliamentary estate when the House of Commons is sitting late were previously covered under the PAAE and so not subject to tax under ITEPA. Under the IPSA scheme, payments in respect of such meals are dealt with separately. A new provision is therefore being introduced to exempt from tax the cost of these meals reimbursed under IPSA's scheme to maintain the previous tax treatment.
11. Regulations which will be made under existing powers will also be introduced to ensure that the treatment of NICs will mirror that for tax.

Further advice

12. If you have any questions about this change, please contact Paul Harris on 020 7147 2528 (email: pa.harris@hmrc.gsi.gov.uk). Information about Budget measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk