

Congestion Charging and Tax

The London congestion charging scheme came into effect from 17 February 2003. The Inland Revenue has received a number of queries asking whether the charge is tax deductible where incurred in the course of business travel, both before and after that date. This article is based on and expands the original information published before 17 February.

For someone who is **self-employed** the general tax rule is that travelling expenses are treated in the same way as any other business expense. Expenses incurred in earning income are deductible for tax purposes where they have been wholly and exclusively incurred for the purpose of the business. All expenses with a material private purpose, including home to work travel, are not allowable as a deduction in computing the taxable profits. This means that where someone who is self-employed and has incurred the congestion charge as part of their normal business travelling expenses it will generally be tax deductible. Congestion charges incurred for personal journeys, including home to work travel, will not.

For **employees and officeholders who use their own vehicles**, tax relief for travelling expenses is available only for business travel, which is where the travel is in the performance of the duties of employment, or where it is necessary to travel to a temporary workplace, excluding ordinary commuting or private travel. Tax relief is only available for congestion charges incurred in business travel.

For **employees and officeholders who are provided with cars or vans on which a benefit charge is made**, that charge includes expenditure on items such as insurance, road tax AND the congestion charge. So, no additional benefit charge arises as a result of payment of the congestion charge.

For **employers**, congestion charges for which tax relief is available to employees and officeholders can be included in dispensations. They can then be paid free of tax. This is possible because they are not "mileage allowance payments", which are in relation to expenses incurred on all journeys (e.g. fuel). They are additional costs incurred on a particular journey but unrelated to mileage - another example is parking costs. Employers who wish to do so should contact their PAYE tax office.

The Inland Revenue will continue to monitor the position and provide further information as required.