

## **CONSULTATION – DRAFT REGULATIONS TO EXEMPT MINOR BENEFITS**

### ***Travel Plans***

The Government has already introduced a number of targeted tax exemptions to assist employers wishing to set up a Travel Plan. A Travel Plan is a package of practical measures put together by an employer to reduce their employees' car use for journeys to and from work. A Travel Plan can be tailored to the particular needs of the individual site.

Normally, when an employer provides money or benefits for things like the costs of petrol or season tickets, for employees to get to and from work, these benefits are taxable. However, to make Travel Plans more effective, there are a number of items that are now exempt from tax and National Insurance Contributions (NICs) charges.

These include

- free or subsidised works buses
- subsidies to public bus services
- bicycles and safety equipment made available for employees
- workplace parking for bicycles and motorcycles.

These draft regulations, made under a power to exempt only minor benefits, add two further exemptions that employers have asked for so as to further enhance existing Travel Plans measures.

#### **1) Exemption of six cyclists' breakfasts per year**

Some employers designate a few days a year as "cycle to work" days. Those employees who try cycling to work are provided with a free breakfast. Strictly speaking, such meals are currently a taxable benefit in kind. To ensure that there is no bar in the tax system that discourages cycling to work, the regulations exempt up to 6 cyclists breakfasts per year.

This exemption complements the existing tax and NICs exemption that allows an employer to provide bicycles or cycling safety equipment for employees for travel to and from work. An employee can also use the cycles for leisure rides as long as it is used mainly for commuting to work.

#### **2) Exemption of lunchtime use of a works bus**

A works bus is any bus or coach service vehicle, seating 12 (from April 2002 – 9) or more passengers, provided by the employer and available to employees generally to transport them to and from work.

We have been told that employers, particularly in out of town estates, would like to be able to offer their employees occasional lunchtime shopping trips in the works bus. This would avoid employees bringing their cars to work on

days when they wish to go shopping, or to some other local amenity, in their lunch break and so further enhance the environmental gains obtained from a works bus. The draft regulations make such trips tax (and so NICs) exempt.

We would be grateful for any comments on these draft regulations by the end of October sent to –

Julia Vinall  
Room 106 New Wing  
Somerset House  
The Strand  
London  
WC2R 1LB.

Or e mail to –  
[julia.vinall@ir.gsi.gov.uk](mailto:julia.vinall@ir.gsi.gov.uk)

---

STATUTORY INSTRUMENTS

---

**2001 No.**

**INCOME TAX**

**The Income Tax (Exemption of Minor Benefits) Regulations  
2001**

*Made* - - - - - 2001

*Laid before the House of Commons* 2001

*Coming into force* - - - 2001

The Treasury, in exercise of the powers conferred upon them by section 155ZB of the Income and Corporation Taxes Act 1988(1), hereby make the following Regulations:

**Citation, commencement and effect**

**1.**—(1) These Regulations may be cited as the Income Tax (Exemption of Minor Benefits) Regulations 2001 and shall come into force on 2001.

(2) These Regulations have effect for the year 2002-03 and subsequent years of assessment.

**Interpretation**

**2.** In these Regulations—

“bus” and “minibus” mean a bus, or a minibus, by means of which is provided a works bus service to which section 197AA of the Taxes Act(2) applies;

“cycle” has the meaning given by section 192(1) of the Road Traffic Act 1988(3);

“employment” includes an office and related expressions have a corresponding meaning;

“the Taxes Act” means the Income and Corporation Taxes Act 1988;

“working day”, in relation to an employee, means a day on which his attendance at a workplace is necessary in the performance of the duties of the employment;

“workplace”, in relation to an employee, means a place at which his attendance is necessary in the performance of the duties of employment.

**Exemption in respect of the provision of qualifying meals**

**3.**—(1) Subject to paragraph (2), there is no charge to tax under section 154 of the Taxes Act (taxable benefits: general charging provision)(4) in respect of the provision for employees of qualifying meals.

---

(1) 1988 c. 1; section 155ZB was inserted by paragraph 3(1) of Schedule 10 to the Finance Act 2000 (c. 17).

(2) Section 197AA was inserted by section 48 of the Finance Act 1999 (c. 16) and amended by section 60 of the Finance Act 2001 (c. 9).

(3) 1988 c. 52.

(2) In relation to an employee, the exemption conferred by paragraph (1) is limited to the first six qualifying meals provided for him in any year of assessment.

(3) For the purposes of this regulation—

(a) a “qualifying meal” is any food or drink which—

(i) is provided by an employer to an employee in recognition of the employee having used a cycle on a designated day to make the journey between his home and a workplace for his necessary attendance at the workplace in the performance of the duties of employment, and

(ii) is provided for consumption by the employee on his arrival at the workplace on that day; and

(b) a “designated day” is a day designated by the employer as a day on which a qualifying meal will be provided to any employee who uses a cycle for the purpose mentioned in sub-paragraph (a)(i).

### **Exemption in respect of the provision of bus or minibus**

4.—(1) There is no charge to tax under section 154 of the Taxes Act (taxable benefits: general charging provision) in respect of the provision for employees of a bus, or a minibus, for conveying employees of one or more employers on relevant journeys.

(2) For the purposes of this regulation, a “relevant journey”, in relation to an employee, is a journey which—

(a) is of a distance of not more than 10 miles;

(b) is between his workplace and shops or other amenities; and

(c) is made on a working day.

2001

Two of the Lords Commissioners of Her Majesty’s Treasury

### **EXPLANATORY NOTE**

*(This note is not part of the Regulations)*

These Regulations are made under section 155ZB of the Income and Corporation Taxes Act 1988 so as to exempt from section 154 of that Act (taxable benefits: general charging provision) certain minor benefits. The Regulations have effect for the year 2002-03 and subsequent years of assessment.

Regulation 1 provides for citation, commencement and effect, and regulation 2 for interpretation.

Regulation 3 provides for an exemption in respect of certain food or drink provided to employees in recognition of them cycling to work.

Regulation 4 provides for an exemption in respect of the provision to employees of a bus or a minibus for the purpose of making certain journeys on working days.

---

(4) Section 154 was amended by section 53(2)(b) of the Finance Act 1989 (c. 26), section 21(2) of the Finance Act 1990 (c. 29), paragraph 2 of Schedule 4 to the Finance Act 1993 (c. 34), sections 44(3) and 45(2) of, and Part III(9) of Schedule 20 to, the Finance Act 1999 and paragraphs 2(2) and 3(2) of Schedule 10 to the Finance Act 2000.