

MPs, Ministers and tax

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Customer Service

This booklet is about tax for Members of Parliament and Ministers and applies for the tax year 2004-2005 onwards.

Introduction

The booklet includes

- Self Assessment and what it means for MPs and Ministers
- notes on Parliamentary income and expenses.

Where to get further information about Self Assessment and any aspect of your tax

If you need further help you can contact your Inland Revenue office, which is

Public Departments 1 (PD1)
Ty-Glas Road
Llanishen
CARDIFF CF14 5XZ

Telephone:

Fax:

Your tax reference is 940/44. Please quote this and your National Insurance number whenever you contact them.

If you need to arrange an interview in London to discuss your tax affairs, telephone or write to

Peter Gurney OBE or Brian Murray
H M Inspector of Taxes
Public Departments (London)
Room 122
3rd Floor
New Wing
Somerset House
LONDON WC2R 1LB

Telephone:

Self Assessment

Self Assessment applies to people who get tax returns.

Most employees do not get tax returns because PAYE and other tax deduction systems collect the tax which is due. However, we always send them to people who are self-employed, to company directors, and to employees who pay tax at the higher rate or have more complicated tax affairs – this would normally include MPs and Ministers. If, by chance, you do not get a return, please contact PD1.

The Self Assessment Tax Return for MPs and Ministers

The Self Assessment Tax Return is divided into different parts. Everyone who gets a tax return has to fill in the parts which apply to them. For MPs and Ministers this means

- an eight-page core form, plus
- the 'Parliament' pages, plus
- any additional pages for other types of income or gains you have, for example, income from directorships, rents, overseas investments and capital gains.

You have to complete your return with figures for each item that applies to you. It is not sufficient to write, for example 'per Dept of Finance and Administration' or 'to follow'. If you do not have the information you need, you should put your best estimate on the form, draw this to our attention and explain when you will be able to provide the accurate figure.

The 'Parliament' pages are very similar to the general 'Employment' pages of the tax return, but have been specially designed to cover the income and expenses that MPs and Ministers have. We also provide special guidance notes to go with the 'Parliament' pages. If you are an MP and a Minister, you have to fill in a set of 'Parliament' pages for each of the posts you held during the tax year.

We send you the parts of the tax return which, from looking at your records, we think you need. If you need others, please ask for them, either from PD1 or from our Orderline on **0845 9000 404**. You may have a tax adviser who will look after this for you, but it is your responsibility to make sure you send in a complete and accurate return on time.

What we do with your return

We feed the information into our computer records and as we do so we look to see if there are any obvious mistakes. If so, we put them right and tell you what we have done. If you disagree you should let us know.

Later we will check your return. We may want to ask you about it by way of an 'enquiry' and if so will notify you within a year of 31 January following the end of the tax year.

Deadline for sending back your tax return

You have the choice to work out your own tax bill or ask us to do it for you. We send a separate booklet with the tax return to help you do the calculation yourself if you want to.

You should send the tax return back to us by **30 September** after the end of the tax year (5 April) if you want us to

- calculate your tax bill for you, or
- collect any tax bill below £2,000 through your PAYE code for the coming tax year, if we can.

If you want to do the calculation yourself, you have until **31 January** after the end of the tax year to send the tax return back, although there is nothing to stop you sending it back earlier.

Late tax returns

There are penalties for tax returns sent back late.

- An automatic fixed penalty of £100 if you do not send your tax return back by the filing date of 31 January.
- A further fixed penalty of another £100 if your tax return is still outstanding six months later on 31 July.

There are further penalties for more serious offences.

Deadline for paying tax

The figures on your tax return are used to calculate your final tax bill. If your final tax bill will not be collected through PAYE (see page 0) you will need to pay it by 31 January after the end of the tax year.

Some people also have to make payments on account of tax, in advance of the final tax bill. The tax calculation based on the tax return for the previous year shows whether these are needed or not. If so, they are due by

- 31 January in the tax year
- 31 July after the end of the tax year.

Late payment

We charge interest on late payments (but we also pay it if your payments exceed the amount due).

Surcharges arise if the final tax bill is paid late.

- An automatic 5% surcharge is imposed when tax is paid more than 28 days after the date it was due
- An additional 5% surcharge is imposed if the tax is still unpaid more than six months after it was due.

Main events in a typical tax year under Self Assessment

In both the following examples the taxpayers have asked us to do the calculation for them. The examples use the tax year 2005-2006 for illustration. The events for people who do the calculation themselves will be very similar if they send their tax return in by the end of November 2006.

Example 1

John's main income comes from employment (or, as for MPs and Ministers, from holding an office)

April 2006	He receives a tax return for tax year 2005-2006 (6 April 2005 to 5 April 2006)
May 2006	He receives Form P60 from employer showing pay and PAYE tax for 2005-2006
July 2006	He receives Form P11D from employer showing details of expenses and benefits in kind for 2005-2006
August 2006	He fills in the tax return and sends it back to the Inland Revenue office <ul style="list-style-type: none">• asking us to do the tax calculation• asking us to collect any tax due below £2,000 through the PAYE code for 2007-2008 if possible
September 2006	He receives a tax calculation from us
October 2006	He receives a Statement of Account from us showing what payment is due, for example, £250, and that it will be collected through adjustment to the PAYE code for the year 2007-2008.

There is no need for John to make payments on account as he or she is below the limits.

John has made sure that the tax return was sent back by 30 September. This saves

- having to do the tax calculation him/herself
- having to pay the £250 tax bill for 2005-2006 on **31 January 2007**.

If the tax calculation shows that a repayment of tax is due, we will repay it if requested. Otherwise we will credit it to the taxpayer's Self Assessment account with us to set against future tax due.

Example 2

Jill with substantial income (not taxed at source) from non-employment sources

31 January 2006	she makes the first payment on account for tax year 2005-2006 in time to reach us by 31 January 2006 . This is equal to half the tax bill for 2004-2005 (net of tax deducted at source). Say it is £600
April 2006	she receives a tax return for tax year 2005-2006 (6 April 2005 to 5 April 2006)
May 2006	she receives Form P60 from employer showing pay and PAYE tax for 2005-2006
July 2006	she receives Form P11D from employer showing details of expenses and benefits in kind for 2005-2006
31 July 2006	she makes second payment on account of tax for 2005-2006. This is equal to half the final tax bill for 2004-2005 (net of tax deducted at source). Again, say it is £600
September 2006	she fills in the tax return and sends it back to the Inland Revenue office <ul style="list-style-type: none">• asking us to do the tax calculation,• asking us to collect any tax due below £2,000 through the PAYE code for 2007-2008
October 2006	She receives a tax calculation from us

December 2006 she receives a Statement of Account from us showing that the final tax left to pay for 2005-2006 is, say, £2,100. As this is more than the limit for collection through PAYE, the statement shows that it is due for payment on **31 January 2007**.

31 January 2007 she makes final payment for 2005-2006 of £2,100 and makes first payment on account for 2006-2007 in time to reach us by **31 January 2007**. This is half the net tax liability for 2005-2006, £1,650, worked out as follows.

The two payments on account, of £600 each	£1,200
plus the final payment	<u>£2,100</u>
	£3,300

x 50% = £1,650.

The link with Pay As You Earn (PAYE)

Self Assessment does not affect the way the Department of Finance and Administration (and Government Departments) operate PAYE on your Parliamentary income.

To ensure that the tax you pay during the year is as near as possible to the amount due, PD1 will continue to include items of income and expenses/benefits paid in your PAYE code number.

Leaflet P3 '*PAYE: Understanding your Tax Code*' is available from PD1.

Collecting your tax bill through PAYE

When we receive your tax return we will either do the tax calculation for you (if you have asked us to) or check the calculation you have done. Either way, your PAYE tax is included in the calculation and taken off the total tax payable for the year to give your final tax bill.

If your final tax bill is less than £2,000, and if you want us to, we can usually collect it through an adjustment to your tax code for the coming year – as long as you send your return back to us by 30 September. For example, you send us your tax return for 2005-2006 by 30 September 2006, it shows a final tax bill of, say, £250, we adjust your PAYE code for 2007-2008 to collect the £250.

If you send your return back to us after 30 September, we will still try to do this if you want, but we may not be able to in the time.

Keeping tax records

Everyone should keep records so that they can fill in a tax return completely and accurately, if they get one.

The law does not say what records you should keep, but for your income from Parliament they will include

- your P60 which shows details of your pay and tax
- details of taxable expenses and benefits in kind which you receive
- details of expenses payments you have made.

Information about payments you have received comes to you from the Department of Finance and Administration or your Government Department. It is your responsibility to be satisfied that this information is correct before you use it to fill in your tax return. You need to maintain your own records of expenses payments for which you intend to claim a tax deduction.

Retaining your tax records

If you have no income from self-employment, you normally need to retain your tax records for one year and 10 months after the end of the tax year to which they apply. If you have income from self-employment you need to keep all your records for at least five years 10 months.

For example, you should keep tax records for the tax year ended on 5 April 2006 until at least 31 January 2008 if you have no income from self-employment during the tax year 2005-2006. If you do have self-employment in that year, you need to keep your records until at least 31 January 2012.

We have a leaflet, SA/BK4 'Self Assessment. A general guide to keeping records. It is available on our website www.inlandrevenue.gov.uk or from any Inland Revenue office.

Information from the Department of Finance and Administration

By law, your employer has to give you the following information if you were in your post at 5 April.

- Your P60 – by 31 May after the end of the tax year.
- P11D details of taxable expenses and benefits in kind – by 6 July after the end of the tax year.

The Department of Finance and Administration acts as your employer for your income as an MP.

Expenses or benefits covered by a dispensation or included in a PAYE Settlement Agreement are not included as they do not have to be put on your tax return. The P11D details, therefore, do not mention payments to Members in respect of

- Winding Up Allowance
- Public Duty Allowance
- cash reimbursements for allowable journeys by rail, air or sea
- Additional Costs Allowance, which is not taxable.

Department of Finance and Administration form

The Department of Finance and Administration has designed a form giving you

- your P11D details
- a breakdown of payments made to you out of your Incidental Expenses Provision
- details of motor mileage allowances you received for the year (see page 25).

This form should make it easy to recognise where each item fits on the 'Parliament' pages of the tax return.

Information for Ministers from Government Departments

Government Departments have to provide Ministers with the same kind of information which the Department of Finance and Administration provides to Members. The way they do this and the level of detail they give will vary from Department to Department. Any queries about the information provided should be addressed to the Principal Finance Officer at the particular Department.

General information about Parliamentary income and expenses

Guidance is provided with the tax return and in helpsheets and leaflets to help you fill in your tax return.

The following notes aim to give you some background information about the particular payments which you receive and about what is chargeable to tax and what is allowable against tax for Members of Parliament and Ministers (including Ministers in the Lords). They may be especially useful if you were recently elected to Parliament.

(References to Westminster in these notes mean the Palace of Westminster and immediate offices.)

Parliamentary income

As an MP or Minister all payments and facilities you receive by reason of your office are taxable, unless there is a specific exemption or an 'Extra-Statutory Concession' (ESC) covering the particular item.

Your taxable income includes

- your actual Parliamentary salary, including any London Supplement or payment as a Chairperson of a Select Committee and any Ministerial salary
- reimbursed expenses
- benefits in kind
- occasional fees – for example, from newspaper articles, television or radio interviews, speaking engagements – if they arise by virtue of your office (also see page 30).

Expenses allowable for tax

You can claim tax relief for allowable expenses under the general rules which apply to all employees and office-holders. These are sometimes known as the 'employment expenses rules'. There are also special rules for particular expenses, which we cover later in this booklet.

Tax effect of expenses met by the Department of Finance and Administration

It is important to note that simply because an expense is

- paid by, or
- reimbursed to you by

the Department of Finance and Administration, it does not necessarily mean you can claim the expense for tax purposes.

The expenses which the Department of Finance and Administration can meet for you are determined by the House rules. The expenses which are deductible for tax depend on the income tax legislation. The House rules and income tax legislation do not always coincide.

The Department of Finance and Administration's accounting year ends on 31 March.

Payments from the Financial Assistance Fund (Short Money)

If you are an Opposition spokesperson, you may receive payments from the Financial Assistance Fund, as a contribution towards the additional costs of employing secretarial and research assistance. These payments are taxable in the same way as the Incidental Expenses Provision (see page 14). You should include any payments you receive in box 1.18 on the 'Parliament' pages of your tax return. In the same way, you can claim tax relief for those expenses which are wholly, exclusively and necessarily incurred in the performance of your Parliamentary duties.

Resettlement Grants

The Department of Finance and Administration pays a Resettlement Grant to Members who leave the House of Commons at a General Election.

If you qualify for a grant, the amount you receive will vary according to your salary, age and length of service as a Member on the date of dissolution of Parliament. If the Grant is £30,000 or less it is tax free. If it is more than this, the first £30,000 only is exempt. If you receive a grant, you need to complete boxes 1.24 to 1.30 on the 'Parliament' pages of the tax return.

Expenses met by the Department of Finance and Administration

There are four main types of expenditure which you can claim from the Department of Finance and Administration.

- **Additional Costs Allowance (ACA)** which you claim for the additional cost of staying overnight away from home
- **Incidental Expenses Provision (IEP)** which you claim for the expenses of running an office or purchasing equipment and buying in services
- **Staffing Allowance** which you claim for the expense of employing staff, for example, secretaries and research assistants
- **Travel Allowances** which you claim for your journeys on Parliamentary business.

The rules on the use of these allowances are set out in the Green Book.

Additional Costs Allowance (ACA)

What is it?

ACA reimburses you for expenditure which you have necessarily incurred in staying overnight away from your only or main home for the purpose of carrying out your duties as a Member. Members with Inner London constituencies are not eligible for this allowance and instead receive a London Supplement.

Is ACA taxable?

No. Tax legislation specifically exempts ACA, so you do not need to include it on your tax return.

Is the London Supplement taxable?

Yes, in full. The Department of Finance and Administration deducts tax under PAYE and includes the amount on your P60; you do not need a separate entry on your tax return.

Is there tax relief for the expenses paid for out of ACA?

No. In addition, there is no tax relief for any expenses of this type over and above the ACA limits.

Is HM Revenue & Customs concerned about how much ACA I get from the Department of Finance and Administration?

Not usually. You need to make sure that when you fill in your tax return you **do not**

- include as income the ACA you have received
- claim a deduction for any of the overnight expenses for which the ACA was paid to you or would have been paid if the limit had not been exceeded
- treat any other kind of expenses – for example office or travelling expenses – as covered by the ACA.

Incidental Expenses Provision (IEP)**What is it?**

IEP covers expenses you incur in running an office for the purposes of undertaking your Parliamentary or Constituency duties.

Your claim to the Department of Finance and Administration may include day to day office running expenses such as heating, lighting, office equipment, telephone expenses, postal charges, work commissioned and bought in and website costs.

Is IEP taxable?

Yes. Payments by the Department of Finance and Administration out of your IEP should be included in the 'Parliament' pages of your tax return

- box 1.16 is for non-capital items (for example, office expenses like heating, lighting, telephone, postage and stationery).
- box 1.17 is for capital items (for example, office equipment such as a word processor or computer).

Are the expenses which IEP covers allowable for tax?

Under the general employment expenses rules, you can get tax relief for those expenses which are wholly, exclusively and necessarily incurred in the performance of your duties as a Member or Minister and which are not met out of your ACA. We list on pages 17 and 18 the kinds of expenses which are allowable for tax and some that are not.

To claim the relief, you enter the appropriate figures in boxes 1.33 to 1.35 of the 'Parliament' pages of your tax return.

If I overspend my IEP can I have a tax deduction for the balance of expenditure?

Yes, provided you

- incur the expenses wholly, exclusively and necessarily in the performance of your duties as a Member, and
- do not claim a deduction of more than the total of your parliamentary income for that tax year.

Security Expenditure

The Department of Finance and Administration provides an allowance to help meet the costs of measures taken in the constituency to safeguard Members, their staff and equipment where recommended by the police. Any sums provided are taxable on the same basis as your IEP.

Under the employment expenses rules you can get relief for expenses that are wholly, exclusively and necessarily incurred in the performance of your duties. These qualifying conditions are very strict, but if you think that expenditure, which has been covered by this allowance, does meet them, enter the appropriate figures on your tax return.

Staffing Allowance

What is it?

Staffing Allowance covers the costs of employing a secretary and/or research assistant. This includes salary, pension contributions and employer's National Insurance contributions. All payments for these services, whether to an individual, company or other organisation, are paid direct on your behalf by the Department of Finance and Administration.

Is Staffing Allowance taxable?

Yes. However, you can have a tax deduction for your staff costs that match the Staff Allowance you receive and it has been agreed that neither needs to be included in your Self Assessment return.

If I overspend my Staffing Allowance can I have a tax deduction for the balance of the expenditure?

Yes, provided you

- incur the expenses wholly, exclusively and necessarily in the performance of your duties as a Member, and
- do not claim a deduction for funds transferred out of IEP.

Any claim for the balance of expenditure should be made in box 1.33 of your tax return.

Temporary Secretarial Allowance

The Department of Finance and Administration will in certain circumstances, out of separate funds, meet the cost incurred in providing staff support required because of the illness of a secretary or researcher. This allowance is taxable and should be included in box 1.15 of your tax return. Tax relief is also due on the amounts paid and relief can be claimed in box 1.33 of your return.

What sorts of things are allowed as tax expenses?

Allowed

- Secretarial or research assistants' salaries, employer's NICs and pension contributions, and other research expenses incurred wholly, exclusively and necessarily in the performance of Parliamentary duties.
- Office running expenses including rent, heat and light of a part of a residence set aside as an office, provided the expenses are not met by ACA.
- Repairs and renewals of office equipment or capital allowances on new items.
- Hire of constituency surgery room.
- Postal and stationery expenses related to Parliamentary duties where they are not provided free.
- Telephone call charges for calls related to Parliamentary duties.
- The cost of websites and newsletters provided to inform constituents about Members' work and not for party political purposes.
- Your own pension contributions to the Parliamentary contributory pension fund and House of Commons Members' fund. Relief is given automatically by the Department of Finance and Administration so you should not claim for these contributions on your tax return.

Not allowed

- Mortgage interest on office or part of residence used as an office.
- Newspapers, books and periodicals of general interest, newspaper cutting services.
- Charitable subscriptions.
- Constituency newsletters and other circulars relating to party political activities, canvassing literature, election expenses, Christmas cards.
- Entertaining constituents or others, extra costs arising out of late night sittings, expenses incurred by spouses, for example, in deputising for, or accompanying, Members.
- Accountancy fees incurred in the preparation of the Self Assessment return or related expenses claims.

- Payments to political organisations for party political purposes.
- Any expense incurred as a member of a political party.
- Charges for private telephone calls and the rental charge where the line is used (even partly) for private calls.

What about depreciation on office equipment?

Office equipment is a capital asset. Under the IEP rules, the Department of Finance and Administration can meet the cost to you of office equipment such as a personal computer. You should enter the figures of IEP received for capital items in box 1.17 on the 'Parliament' pages of your tax return.

You can claim tax relief for the annual depreciation of the equipment. This is given as Capital Allowances. These allowances can be set against your Parliamentary income.

The Capital Allowances rules are explained in the notes about box 1.35 of your tax return. There is also a Helpsheet, IR206 '*Capital allowances for employees and office-holders*', available.

Are my secretaries or research assistants employees or self-employed?

Full time or regular helpers who work in your office under your direction will, almost always, be your employees. Occasional work by specialists – for example, for research or analysis prepared by them using their own facilities – is more likely to be self-employment.

The answer depends on the precise terms on which you have engaged the person. It does not follow, for example, that people can be treated as self-employed simply because you decided to describe their engagement in that way, or because the last job they did was self-employed, or because earlier claims to the Department of Finance and Administration were made on particular forms.

Your tax responsibilities for your employees

Like other employers, you are responsible for operating PAYE and for providing the required information to us and to your staff. In practice, the Department of Finance and Administration, on your behalf, will help you with your tax obligations as an employer by

- paying employees' tax and National Insurance contributions to us
- providing us and the employees with the necessary information about PAYE
- providing us and the employees with the necessary information about expenses and benefits in kind you give your staff
- holding the necessary employer records which you will need for tax purposes.

Employer responsibilities you need to administer yourself

If you have provided any expenses or benefits in kind to your staff directly, and not through the Department of Finance and Administration, you will need to carry out your employer duties yourself in respect of these items. You should contact PD1 for the necessary forms and guidance.

What about pension arrangements for secretaries or research assistants?

We have agreed with the Department of Finance and Administration that you do not need to refer to this in your tax return. This is because any pension contribution (usually paid by the Department of Finance and Administration on your behalf) would be liable to tax, but would be matched by an identical tax deduction, thus having no overall effect on the tax you pay. However, any **additional** pension contributions made from your IEP will be included in the P11D details provided by the Department of Finance and Administration. Any claim in respect of these payments should be entered in box 1.33 of the 'Parliament' pages of your tax return.

Travel Allowances

You can claim certain travel costs from the Department of Finance and Administration. Sometimes it will give you a Corporate Travel Card or travel warrant and sometimes you can claim reimbursement from it.

The travel costs which you can claim from the Department of Finance and Administration depend on

- whether your journey qualifies for payment under the Rules of the House
- where your 'home' is, and
- how you travel.

Are the amounts met by the Department of Finance and Administration taxable?

Yes, but you can claim tax relief under the employment expenses rules for expenditure necessarily incurred on travelling in the performance of your duties.

There are also special rules covering your travel to European Parliaments and Community institutions (see page 21).

What about tax relief?

The tax relief for the expenses depends on

- where your 'home' is
- how you travel, and
- the reason why the expenses were incurred.

You should make and keep records of your travelling expenses so that you can

- complete your tax return correctly, and
- provide PD1 with them if asked to do so.

What about travel to European Parliaments and Community institutions?

Tax legislation specifically excludes from tax payments Members receive for travelling and related expenses when they visit

- a European Union institution or agency, or
- the national parliament of
 - another member state
 - a candidate or applicant country, or
 - a member State of the European Free Trade Association.

This means you **should not**

- include travelling and related payments you get for these visits as income on your tax return, or
- claim expenses you incur for these visits on your tax return.

Which residence is my 'home' for the purpose of claiming travelling expense?

If you have more than one residence, you are required to nominate one of them as your 'main home' for the purposes of determining which travel costs can be

- claimed against the ACA, and
- allowed for tax purposes.

References to your home in the following paragraphs are to this nominated 'main home'. The nomination does not affect your 'main residence' for capital gains tax purposes.

Which journeys qualify for payment?

The Department of Finance and Administration generally meet your expenses for the following journeys

- between your main home and Westminster
- between Westminster and your constituency
- between your main home and your constituency
- on your duties as a Member within your constituency
- any other travel in the UK on Parliamentary business (provided it qualifies under the rules in force for extended travel and subject to prior clearance with the Department of Finance and Administration).

How much will the Department of Finance and Administration meet for a qualifying journey?

The amount you can claim for a qualifying journey depends on how you travel.

- **If you use your own car or take a taxi** – the Department of Finance and Administration normally pays you a Motor Mileage Allowance to cover the costs of your journey.
- **If you use any other method of transport** – the Department of Finance and Administration normally meets your full fare.

What expenses qualify for tax relief?

Tax relief is available for the cost of travel necessarily incurred in the performance of your duties as a Member. There is the complication that these duties are carried out in at least two places – Westminster and your constituency. So travel is allowable for tax purposes on your duties as Member

- within your constituency
- between your constituency and Westminster
- elsewhere from your constituency or from Westminster

So far as travel to and from your main home is concerned, the right to tax relief depends on where your home is in relation to Westminster and your constituency, as explained on page 24.

Which journeys will be treated as travel from home to work for tax purposes?

For this purpose only, we treat 'Westminster' as including any point within 20 miles of the Palace of Westminster; and 'constituency' as including any point within 20 miles of your constituency boundary.

- If your home is within your constituency, journeys on your duties as a Member between your home and Westminster qualify for tax relief.
- If your home is within Westminster, journeys on your duties as a Member between home and your constituency qualify for tax relief.
- If your home is outside both your constituency and Westminster, journeys between your home and your constituency, or your home and Westminster do not qualify for tax relief. This rule is modified if the journey is a continuous one between your constituency and Westminster via your home. In this case the allowable cost is restricted to the cost of a direct journey between your constituency and Westminster. A single journey is regarded as 'continuous' if it is broken by no more than one night at home (not including Saturday and Sunday night which are ignored).
- If you have a London residence (whether or not it is your 'home'), journeys between this residence and the Palace of Westminster are treated as home to office travel and do not qualify for tax relief unless the residence is within 20 miles of both the Palace of Westminster and your constituency.

Summary of the journeys which do or do not qualify for tax relief

(Remember the extended definitions of 'Westminster' and 'constituency' apply.)

If your home is	What journeys qualify for tax relief?	What journeys do not qualify for tax relief?
<ul style="list-style-type: none"> within the constituency 	<ul style="list-style-type: none"> home to Westminster within constituency constituency to Westminster home or constituency or Westminster to other places on Parliamentary Duties 	<ul style="list-style-type: none"> any travel not on Parliamentary duties
<ul style="list-style-type: none"> within Westminster and not within the constituency 	<ul style="list-style-type: none"> home to constituency within constituency constituency to Westminster home or constituency or Westminster to other places on Parliamentary Duties 	<ul style="list-style-type: none"> home to Palace of Westminster any travel not on Parliamentary duties
<ul style="list-style-type: none"> outside the constituency and outside Westminster 	<ul style="list-style-type: none"> home or constituency or Westminster to other places on Parliamentary Duties within constituency equivalent cost of a direct journey between constituency and Westminster. Where journey is 'continuous' see page 23. 	<ul style="list-style-type: none"> home to constituency home to Westminster excess cost over cost of direct journey between constituency and Westminster any travel not on Parliamentary duties
<ul style="list-style-type: none"> within the constituency and Westminster 	<ul style="list-style-type: none"> home to constituency home to Westminster constituency to Westminster home or constituency or Westminster to other places on Parliamentary Duties 	<ul style="list-style-type: none"> any travel not on Parliamentary duties

Will all the costs of a qualifying journey be allowable for tax?

Not necessarily. It depends on how you travel. The rules are set out in the following paragraphs.

What if I use my own car?

If you use your own car the Department of Finance and Administration normally pays you a Motor Mileage Allowance.

There is a statutory tax exemption covering mileage allowance payments, up to a certain level, to employees who use their own vehicles for work travel. Payments are exempt to the extent that they do not exceed the 'approved amount for mileage allowance payments' (the AMAPs amount).

The Department of Finance and Administration has an arrangement with PD1 which reduces the tax administration for all concerned.

If the Motor Mileage Allowance is paid for a journey which does not qualify for tax relief, then

- the full amount of the allowance paid to you for that journey is taxable, but
- the Department of Finance and Administration will deduct tax from it under PAYE, and
- you do not need to include anything specific for these journeys on your tax return. This is because the taxable allowance and PAYE tax will be included in your P60 figures which go into boxes 1.8 and 1.11 on the 'Parliament' pages of your return.

We have advised the Department of Finance and Administration how to decide whether a journey qualifies for tax relief or not. If you cannot agree with the Department of Finance and Administration the figure which they include on your P60 for private journeys, you can claim the additional cost of any **qualifying** travelling expenses in box 1.35 on the 'Parliament' pages of the tax return.

If the Motor Mileage Allowance is paid for a journey which does qualify for tax relief, then

- the allowance is taxable only to the extent that it exceeds the AMAPs amount. Motor Mileage Allowance paid to you in excess of this amount is liable to tax and National Insurance contributions
- you cannot claim actual motoring costs.

From 1 April 2005 the Motor Mileage Allowance paid by the Department of Finance and Administration changed. From that date, a mileage allowance of 40p per mile for the first 10,000 miles and 25p thereafter is paid. Since these amounts are linked to the AMAPs amount there will be no tax to pay provided the journey qualifies for tax relief.

AMAPs amounts for 2004-2005

Cars

On first 10,000 miles in the tax year	40p per mile
On each additional mile over 10,000 miles	25p per mile

Motorcycles	24p per mile
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Bicycles	20p per mile
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What about parking fees and tolls?

The payment of parking fees and tolls, over and above the Motor Mileage Allowance, will not give rise to a tax liability if the journey is a business one.

What if I am reimbursed for a taxi journey which does not qualify for tax relief?

The full amount of the reimbursement is taxable, but

- the Department of Finance and Administration will deduct tax from it under PAYE, and
- you do not need to do anything specific for these journeys on your tax return as the reimbursement and PAYE tax will be included in your P60 figures which go into boxes 1.8 and 1.11 on the 'Parliament' pages of your tax return.

What if I am reimbursed for a taxi journey which does qualify for tax relief (see page 24)?

- The full amount of the reimbursement is taxable and should be included in box 1.19 of your tax return.
- The Department of Finance and Administration will provide details of the payment on the form you get after the end of the tax year showing your expenses and benefits in kind.

Deductions can be claimed for the full costs of the fares for these journeys.

What about a travel warrant or season ticket?

You are taxable on the cost (or the reimbursed expense) where

- the Department of Finance and Administration provides you with a corporate travel card, a travel warrant or a season ticket (or a cash reimbursement), and
- the journey or journeys covered by the corporate travel card, travel warrant or season ticket do not qualify for tax relief

The Department of Finance and Administration will notify both you and your Tax Inspector of the amounts at the end of the tax year. You should include the figure for rail, air and sea warrants (or trips using the corporate travel card) in box 1.13 of your tax return. Taxable season tickets should be included in box 1.22.

What about any other form of transport?

The Department of Finance and Administration will normally reimburse the full cost of your fare (for example train or air fare) for any journey listed as qualifying on page 24.

The reimbursement is taxable and the expense is allowable for tax. Because of this match, all such journeys are covered by a 'dispensation'. You should not

- enter the amount of the reimbursement on your tax return
- claim the allowable expense on your tax return.

What about foreign travel (other than to visit EU institutions)?

We have been advised that you are not normally considered to have duties as a Member which will take you abroad except as a member of a Parliamentary delegation or Select Committee where the costs are paid from public funds. Neither the funds you receive nor the expenses incurred should be put on your tax return.

Where a trip is made on your own initiative (for example, for fact-finding purposes) it would not normally be regarded as part of your duties as a Member and, therefore, the costs will not be allowable for tax purposes.

Family travel

Under the rules of the House, you are entitled to a travel warrant (or the equivalent Motor Mileage Allowance) for up to 15 return journeys per calendar year travelled by your spouse and each eligible child under 18 for journeys between Westminster and your constituency or Westminster and your nominated home.

Travel for spouses is taxable on the same basis as your own travel. All travel warrants for children are taxable with no tax relief.

Employees' travel

You can claim from the Department of Finance and Administration for up to twelve return journeys between your constituency and Westminster each calendar year by employees paid out of your Staffing Allowance. Neither the sums received nor the expenses incurred should be put on your tax return.

Minister's expenses

Reimbursed expenses as a Member

If you are a Member, your Parliamentary expenses (as distinct from your Ministerial expenses) are reimbursed by the Department of Finance and Administration, just as for any other Member. You may claim tax relief for allowable expenses incurred in carrying out your Parliamentary duties. The details so far in this booklet apply to you subject to the following two paragraphs.

ACA and London Supplement

You will normally need accommodation in or near London in order to carry out your Ministerial duties. All Ministers (except those with an official residence) are

- paid the London Supplement
- regarded for ACA purposes as having their main home in London.

If you have a provincial constituency you may claim ACA (see page 13 for overnight stays in or near your constituency, in addition to the London Supplement). This applies even if your constituency home is your main home for tax purposes.

This special rule does not affect the capital gains tax rules on your 'main residence' (see page 30).

Expenses as a Minister

Expenses incurred in carrying out your Departmental duties as Minister are normally paid by the Department concerned. The Inspector of Taxes at Public Departments (London) will be pleased to help with any enquiries you may have concerning the tax treatment of such expenses. The address and telephone number are on page 1.

Information about general tax items of likely interest to MPs and Ministers

Occasional fees

You may receive occasional fees for such things as newspaper articles, television or radio interviews, and speaking engagements. If these arise in the performance of your duties as a Member or Minister they should be entered in box 1.10 on the 'Parliament' pages of your tax return. More usually, they will not be part of your Parliamentary income and should be included on the Self-Employment pages or in boxes 13.1 to 13.6 on the core tax return form.

Fees donated to charity

Sometimes members arrange for media fees etc, to be paid direct to a nominated charity. This does not change the fact that you are taxable on them - except in certain strict circumstances when they are not treated as taxable income.

If you think this exception might apply to you, you need to agree it with PD1 **before you send in your Self Assessment Tax Return**. Otherwise you should include the income on your tax return in the normal way.

Capital gains tax on residences

General

The general rule is that the gain arising on disposal of your only or main residence is normally exempt from capital gains tax if it has been your only or main residence throughout your period of ownership. There are some exceptions to this general rule, notably where the area of any garden or grounds (including the buildings) is more than 0.5 hectares or where part of the house has been used exclusively for business purposes. If it has been your only or main residence for only part of that period, the gain is apportioned on a time basis.

Which is the 'main residence'?

If you have more than one residence you can choose which one is to qualify for the exemption from capital gains tax. It does not have to be your 'home' for the purposes of ACA (see page 00) and travel.

It must be a property which you actually occupy as your home for at least part of the time.

If you acquire a second residence you have up to two years from the date on which you started to occupy it as your home to tell your Tax Inspector which property you have chosen to qualify for the exemption. If you do not do so within this period the exemption will apply to whichever property is, in fact, your main home. You can change your choice at a later date, but that new choice cannot be backdated more than two years. Your choice is relevant for capital gains tax only and does not affect any other provision.

Can more than one residence qualify for exemption at the same time?

There are two sets of circumstances when this might happen.

- First, if you have used a property as your only or main residence at some time during your period of ownership, there may be a period leading up to the sale of that property during which it is unavoidable that you will stop using it as your main residence (for example, when you buy a new home before the old one is sold). To cover this possibility, the final 36 months of ownership is always treated as if you had occupied it as your only or main residence. Relief from capital gains tax may be due for this overlapping period on both the old and the new properties.
- Second, where you provided a residence for a dependent relative before 6 April 1988 you may be entitled to relief from capital gains tax on that property as well as your own.

What exemption is due for married people?

A married couple who are not separated get one exemption between them. They must jointly inform their Inland Revenue offices which is their main residence for capital gains tax purposes.

What if I use part of my main residence as an office?

If you use part of your main residence exclusively as an office, a proportion of the gain will not qualify for exemption. If no part is set aside exclusively for such use, then occasional business use will not affect the exemption (even if some of the costs of running the home are allowed as a business expense for income tax purposes).

For further information about capital gains tax on residences see CGT1 'Capital gains tax. An introduction' (available on our website www.inlandrevenue.gov.uk) or Help Sheet IR283 '*Private residence relief*'.

Customer Service

Service Standards

We set ourselves standards of service. Every year we check to see how we have done and we publish the results. If you would like details, please

- visit www.inlandrevenue.gov.uk/servicestandards/, or
- contact us. You will find us in The Phone Book under Inland Revenue.

Putting things right

If we do not live up to your expectations, please let the person dealing with your case know what is wrong. We will work as quickly as possible to settle your complaint. We would not expect a complaint to get beyond this stage. But if you are still unhappy, please ask for your complaint to be referred to the Customer Relations Manager.

Customers with particular needs

We offer a range of facilities for customers with particular needs.

Some of the things we provide are

- wheelchair access to nearly all Inland Revenue Enquiry Centres
- home visits, if you have limited mobility or caring responsibilities and cannot get to one of our Enquiry Centres
- leaflets in large print, Braille and audio
- for people with hearing difficulties
 - BT Tynetalk
 - induction loops
 - sign language interpretation
- help with filling in forms
- services of an interpreter.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

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