

- 1.3 Overview
- 1.7 The basis of tax relief for employee travel and subsistence
- 1.8 Some outline examples

- 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 relief. See booklet 480 *Expenses and benefits – a tax guide* chapter 16 for information about 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 on behalf of employees, or
- by providing travel facilities for employees.

- 1.2 References throughout the guide to 'employees' apply equally to 'office holders', 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 Broadly, employees are taxable on all the income they receive from their employment including pay, benefits in kind (such as company cars) and any expenses payments (including payments relating to business travel).
- 1.4 Tax relief is available in two ways:
- 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 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 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 relief.

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

- 1.5 It is important to remember that the tax rules determine the amount on which 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 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, or
- the costs are met directly on the employee's behalf, or
- vouchers (such as travel tickets) or credit tokens are provided to the employee, or
- 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 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. There are special rules for working out the relief on motoring expenses paid to employees who use their own vehicles for business travel, see paragraph 9.13 on page 58.

Some outline examples

1.8 The examples below show how the rules work in some typical situations. The cost figures are illustrative.

Example

Abner is a lathe operator whose permanent workplace is in Bacup. One day he has to travel to a temporary workplace in Glossop to look at a new machine.

He is entitled to relief for the full cost of his journey because it is a journey to a temporary workplace.

Example

Aisling lives in Tunbridge Wells and each day drives to her permanent workplace in Ashford where she works as a trainee accountant. She gets no relief for the cost of this journey because it is ordinary commuting.

Example

Alan lives and works in Truro but goes to Penzance for the weekend to surf. He takes some work with him to finish it off for Monday morning.

He is not entitled to relief for the cost of his journey to Penzance because it is private travel.

Example

Anne normally works at her employer's offices in London, travelling each day from home in Oxford at a cost of £30 a day. One day she has to visit a temporary workplace in Hereford, travelling directly between there and her home. The cost of the return journey is £34. Anne is entitled to relief for the full cost of her business travel, £34.

Example

Austin is an installation engineer who works at the premises of his employer's various clients throughout the United Kingdom. He has no permanent workplace and attends each temporary workplace for a short period only. One week he travels between his home in Dover to a temporary workplace in Gloucester, staying in a hotel for four nights and, then returning to Dover. The cost of the return journey is £130. The cost of subsistence (four nights in the hotel plus meals) is £300.

Austin is entitled to relief for the full cost of his business travel, £430.

National Insurance contributions

- 1.9 For National Insurance contributions (NICs), the position depends on how the travel costs are met. Where payments in respect of business travel are reasonable they will be excluded. 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 liability to be accounted for through the payroll in the pay period in which the payment is made. As 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 38.
- 1.10 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.

Further guidance on NICs is given in Chapter 6 of this guide.