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Record keeping

12.1 Employees, like other taxpayers, have to keep records:

- so they can complete a Tax Return fully and accurately if they get one
- if they do not get a Tax Return, so they can notify their HMRC office by 5 October after the end of the tax year if they have received income or gains which we do not know about, or
- if they want to claim tax relief.

They should retain these records for at least 22 months after the end of the tax year to which they apply.

12.2 Employees do not need to enter on their tax returns, any payments or provisions which are included in a dispensation or PSA. Where a dispensation or PSA is in place, employees are not taxable on the expenses payments they receive under the terms of that dispensation or PSA. Where the employer pays or meets **less** than the full cost of business travel the employees are entitled to further relief. The employees are entitled to relief for the part of the cost of their business journeys that is not reimbursed or otherwise met by their employer under the terms of the dispensation or PSA.

Example

Yvette lives in Basingstoke and has a permanent workplace in London. Her employer has a dispensation covering expenses payments to meet business travel. One day Yvette travels by train direct from her home to meet a client in Cambridge. The ticket costs £65 but Yvette's employer only reimburses her what it would have cost to make the journey from London, £20.

Yvette is not taxable on the £20 paid by her employer because this is covered by the dispensation. Yvette is entitled to further relief of £45 which is the extra it cost her to make the business journey over and above the amount her employer paid. Yvette can get tax relief for the £45 by writing to her HMRC office. She is not entitled to relief for the £65 total cost of her ticket because she has effectively already had £20 of relief on the payment she received from her employer under the terms of the dispensation.

12.3 It helps employees if their employers tell them about dispensations and PSA items which apply to them. However, there is no legal obligation on employers to do so.

12.4 With respect to travel, the most important things which employees should keep are:

- P11D details of expenses payments and benefits in kind
- details of claims for expenses they made to their employer and receipts which supported those claims (unless these are held by the employer)
- records they make themselves, such as mileage details where they use a car (either their own or a company car) for business journeys.

- 12.5 Employees should check all information which they receive from their employer. If they think it is wrong or incomplete it is usually best if they approach their employer to clarify the position. If the employee is still not satisfied, he or she should tell their HMRC office.
- 12.6 Further information on record keeping for employees is available in leaflet SA/BK4 *A general guide to keeping records*.

Employees who get tax returns

- 12.7 Employees who get a tax return should, unless the item is covered by a dispensation or a PSA, use it to report:
- all payments made to them
 - all payments made to a third party on their behalf
 - the cash equivalent of any facilities provided to them or their family
- by reason of their employment.

Example

Zebedee travels on business. He travels from Plymouth to Bedford using a train ticket provided by his employer. His employer owns a residential training facility in Bedford where Zebedee stays during the two weeks he is working locally. He pays for his meals himself and the costs he incurs are reimbursed by his employer.

The cost of the ticket provided, the full amount of the reimbursements and the cash equivalent of the accommodation provided must all be reported unless there is a dispensation or PSA covering any of the items. Zebedee will be entitled to tax relief for the full cost actually incurred.

Employees who do not get tax returns

- 12.8 Employers provide us with information about the income and benefits paid or provided to their employees. That means that we can usually make the calculations necessary in order to change PAYE tax codes.

Employees should contact their HMRC office if:

- they identify errors or omissions in the information provided by their employer
- there is a change in their circumstances, for example if they wish to claim an allowance or relief which has changed or which they have not had before
- they have not had all the relief for business expenses to which they are entitled (see paragraph 12.9)
- they have income, not taxed at source, which they have not reported to us.

Obtaining tax relief for expenses

- 12.9 Employees are entitled to relief against income chargeable to tax as employment income for the full cost of business travel. If they get a tax return they get relief by entering the appropriate amount on the return. If they do not get a tax return they can write to their HMRC office, or fill in form P87 which they may be sent or they can request from their HMRC office.
- 12.10 Employees must be able to substantiate the statements they make. Where tax has been underpaid because an employee has obtained tax relief to which they were not entitled, or the amount of relief has been overstated, we will seek to recover from the employee the tax lost, together with interest and, where appropriate, penalties and a surcharge.

Employees who use their own cars for business travel

- 12.11 Employees who use their own cars for business travel can get mileage allowance relief based on a set rate per mile for specified types of vehicle. For more details on how the relief is calculated, see form P87 or go to www.hmrc.gov.uk/mileage/employee-factsheet.htm