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- 5.1 Where an employee's business journey qualifies for relief the amount of relief to which he or she is entitled is the full cost of that business journey. In working out the full cost of a business journey no account should be taken of any savings an employee realises by not having to make their ordinary commuting journey. 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.

Relief only against earnings from same employment

- 5.2 Relief can be given only where an expense is met out of the income from the relevant employment. Where an employee is entitled to tax relief for expenses incurred but the pre-tax income from that employment does not cover those costs, relief is limited to the amount of that income. Relief cannot be given against other income – such as investment income or income from another employment. But where a group of companies is involved see paragraph 2.10.

Example

Mark is a teacher. He is also separately employed as coach to the local youth football team, for which he is paid £100 a year. He incurs expenses of £1,000 a year travelling to away matches which he pays out of his own pocket and is not reimbursed by the club. Relief for those expenses is limited to the £100 he receives from his employment as coach.

Relief only for expenditure actually incurred

- 5.3 Relief is available only to the extent that an expense has actually been incurred.

Example

Mary has to travel on business. Her employer pays her a travel allowance sufficient for the purchase of an airline ticket. Mary buys a rail ticket at lower cost. Relief is limited to the expenditure actually incurred – the cost of the rail ticket. Mary is taxable on the payment from her employer but relief is available for the expenditure actually incurred.

Example

Matthew receives from his employer payments to meet the cost of hotel accommodation when he has to stay away overnight on business. Instead of booking into a hotel, he sleeps in his car. Matthew is taxable on the full amount received from his employer and no relief is available to set against the payment he received for overnight accommodation because no expense has been incurred.

Example

Meryl has to travel on business. Her employer pays her a travel allowance sufficient for the purchase of a standard class railway ticket. Meryl buys a first class ticket. The allowance paid is taxable but relief is available for the full expenditure actually incurred – the cost of the first class ticket.

Subsistence

- 5.4 The cost of business travel includes **subsistence** costs attributable to and incurred during the journey in question. Similarly, where an employee has to stay away overnight on business, the cost of accommodation is part of the cost of the business travel. Even where an employee stays away for some time, the cost of meals and accommodation is part of the overall cost of the business travel.

Example

Michael is required to spend three months working at the site of one of his employer's clients. He travels to the site each Monday morning, stays in a hotel close to the temporary workplace and travels home late each Friday evening, eating dinner on the way.

During the week he takes some of his meals in the hotel and others at a nearby restaurant. The cost of the accommodation and all the meals are part of the cost of his business travel.

5.5 To qualify for relief the subsistence costs must be attributable to the business travel.

Example

Millie performs the duties of her employment at a series of temporary workplaces. She has no permanent home. She stays in guest houses and hotels near wherever she happens to be working. This is the only accommodation available to her.

Millie has to live somewhere and the costs of accommodation are attributable to her general need for shelter, rather than her attendance at a particular workplace. Also, the only travel undertaken is between her temporary accommodation and her temporary workplace. The cost of accommodation is not attributable to the cost of that travel. Millie is not entitled to relief for the cost of this accommodation.

While relief is available for the cost of the travel between the temporary accommodation and the temporary workplace, what she pays for accommodation is not a part of the cost of that travel and will not qualify for relief.

Example

For several weeks, Milton performs duties of his employment at a temporary workplace close to his home. He chooses to stay in a hotel as he is having some decorating done at his home. The stay in the hotel is not attributable to his travel to and from the temporary workplace. Milton is not entitled to relief for the cost of the hotel.

Other costs incurred while travelling on business

- 5.6 Travel expenses can also include other costs which form an integral part of the cost of the business journey. For example, toll fees and vehicle hire charges may be part of the overall cost of a business journey.
- 5.7 In the case of **car parking**, when working out the cost of a business journey employees **should not include** the cost of car parking at or near the workplace where this is paid for or provided by the employer. But in working out the cost of a journey, employees **should include** other car parking expenses they incur. See also paragraph 8.24.
- 5.8 Some expenditure that an employee might incur while making a business journey is not expenditure attributable to that travel. Private phone calls, newspapers and laundry are examples of expenditure arising as a consequence of business travel but which are essentially personal in nature and do not, therefore, qualify for relief as integral parts of the cost of business travel.

Example

Mona has to travel on business. While away she stays in a hotel. Relief is available for the full cost of her travel – including the cost of the hotel accommodation and meals. However, the hotel bill includes the costs of laundry, personal phone calls and newspapers. These do not qualify for relief as part of the costs of business travel. They are personal expenditure incurred while travelling.

- 5.9 There is, however, a specific statutory exemption which can apply where the employer pays for, or provides as a benefit, incidental overnight expenses up to a specified limit (see paragraphs 8.2 to 8.6). This is quite separate from the rules on relief for the cost of business travel.
- 5.10 No relief is available for other personal costs incurred as a consequence of being away from home on business. So, for example, there is no relief for the cost of baby-sitters.

Choice of route

- 5.11 To qualify for relief, a journey does not have to be made by the shortest route if another route is more appropriate – for example, using the M25 to go round London rather than driving through the middle. Similarly, a business journey will still qualify for relief if the employee makes a short detour for a meal.
- 5.12 There are limits to the flexibility allowed. If an employee makes a significant detour to visit a particular restaurant that part of the journey would be regarded as private. An employee travelling on business who makes a detour for private purposes will still be entitled to relief for the full cost of the business part of the journey but **not** for the private detour.

Example

During the course of a business trip, Monty takes the opportunity to visit his mother. To the extent that Monty's journey would otherwise qualify for relief, the fact that he makes a social call on the way does not affect the relief available. However, if the social call involves a significant detour, that detour is not in the performance of the duties of his employment and not attributable to attendance at a particular workplace. So no relief is available for the cost incurred in making the detour.

- 5.13 Where, in the course of a business journey, an employee incurs additional expenditure through genuine error, that expenditure will be regarded as a cost of business travel rather than personal expenditure.

Example

Morag has to travel on business from her home in the South of England to Scotland. She travels by train. In error, she travels up the West Coast when her ticket is valid only for the East Coast route. She incurs substantial extra cost because she has to buy another ticket. She is entitled to relief for this expenditure as part of the cost of her business travel.

Scale of expenditure

- 5.14 The cost of business travel will not normally have any bearing on whether or not relief is available. For example, we would not seek to disallow first class rail travel on the grounds that only standard class was necessary for a journey.
- 5.15 Where the travel arrangements are unusually lavish, we will consider whether, on the facts of the case, the expenditure is really attributable to business travel, or is, for example, some sort of reward. However, we will not seek to deny relief for the cost of a journey, hotel room or meal simply because a less expensive alternative is available.

Example

Mostyn makes a short 'business' journey in a horse and carriage hired for the occasion. We would consider whether the hire of the horse and carriage was the purpose of the expenditure, rather than it being a genuine cost of business travel. This does not mean that travel in a horse and carriage will never qualify for relief but such cases will be rare.

Cost of journeys by car – employee's own vehicle

- 5.16 The same rules apply for working out what types of journeys in employees' own vehicles qualify for relief as for journeys by any other form of transport. However, there are special rules for working out the amount of relief that an employee can get for business travel in their own vehicle. The main feature of these rules is that the amount of relief employees get is calculated on the basis of a set rate per mile for specified types of vehicle. Employees can no longer calculate relief on the basis of actual expenditure for using their own vehicle for business. For more details of how the relief is calculated see booklet 480 *Expenses and benefits. A tax guide*.
- 5.17 Employers can also pay employees travelling on business a tax and NICs free allowance for passengers who are also travelling on the employer's business. The maximum amount that can be paid free of tax and NICs is 5p per passenger mile. Employees will be liable to pay tax and NICs on any amount over 5p per mile. For this payment to be free of tax and NICs the passenger must also be an employee for whom the journey is business travel.
- 5.18 These rules also determine the way in which employers report details of mileage payments to us. For more information, see the latest edition of booklet CWG2 *Employer Further Guide to PAYE and NICs*.

Company cars and vans

- 5.19 An employee who is provided with a company car or van, or with fuel for private use in a company car or van, is taxed on that benefit. The rules for when a tax charge arises and for calculating the amount of tax charge can be found in Chapters 11 to 15 of booklet 480.