



6.1 The rules for NICs will depend upon how the travel costs incurred by an employee are met, as this is what determines the appropriate Class of NICs. Where the employer reimburses the employee's travel costs, or directly pays for business travel arranged by employees on their own behalf, Class 1 NICs will be due unless the business travel expenses are reasonable. No Class 1 NICs are due where an employer makes a travel payment which does no more than reimburse an employee for the **full** cost of business travel. Where there is a Class 1 NICs liability, it must be accounted for through the payroll in the pay period in which the payment is made. There are special rules for working out NICs on motoring expenses paid to employees who use their privately owned vehicles for business travel: see paragraph 6.3.

6.2 Where the employer arranges or provides travel facilities, Class 1A NICs will be due unless the benefit is exempt from tax. If the benefit is exempt from tax it will also be exempt from Class 1A NICs. Where the travel facility is not exempt from tax but the employee is entitled to tax relief set against it:

- Class 1A NICs will **not** be due if the relief covers **the whole cost** of the travel facility.
- In any other case, Class 1A NICs will be due on **the whole cost** of the travel facility, including any part covered by tax relief available to the employee.

**Example**

Nicole's employer pays her £25 to buy a rail ticket to attend a training course at her regional training centre. Nicole decides to go by bus. The return bus fare is £10. The £15 not spent is earnings and should be added to Nicole's other earnings in that pay period to determine the Class 1 NICs due.

**Example**

Nigel is sent to work at a temporary workplace for four weeks. As well as his travelling expenses he is given £50 a night subsistence to cover the cost of bed and breakfast at a hotel near the temporary workplace. However, Nigel stays with a friend and incurs no accommodation costs. The £50 a night he is paid by his employer is earnings and should be added to Nigel's other earnings in the pay period to determine the Class 1 NICs due.

**Example**

Nikki is sent to work at a temporary workplace for 3 months. Her employer arranges for her to stay at a hotel near her temporary place of work and pays the hotel direct for her accommodation and meals. Nikki travels home every Friday. No Class 1A NICs are due as Nikki is entitled to full relief for tax purposes on the costs met by her employer.

6.3 There are special rules for working out the amount of NICs that are due on motoring expenses paid to employees who use their own vehicles for business travel. These rules apply to all motoring expenses, including mileage allowances which are based on a set rate per mile, lump sums, business use car allowances and payments for fuel purchased for business use. The rules also apply to employees who use their own vans, motorcycles or cycles. The rules do not apply to travel facilities arranged or provided by the employer. See paragraph 6.2 above.

6.4 Under these rules there is a maximum amount that can be paid free of NICs to employees who use their own vehicles for business travel. If more than the maximum amount is paid, the excess must be added to any other earnings the employee receives in the earnings period in which the payment of motoring expenses is made. Class 1 NICs are then calculated on the employee's total earnings.

- 6.5 To work out whether Class 1 NICs are due on mileage allowances the amount of business miles travelled by the employee is multiplied by an approved rate. This will be the maximum amount that can be paid free of NICs. The maximum is then compared to the amount that has been paid. Class 1 NICs are due on any amount over the maximum.
- 6.6 For cars and vans the rate to use is HMRC's approved mileage rate which applies to the first 10,000 business miles.

**Example**

Nina usually drives to her permanent workplace in Newcastle-upon-Tyne, travelling from her home in Durham, a return distance of 40 miles.

One day she is required to attend a meeting in Manchester and uses her car to travel from home to Manchester and back, a distance of 200 miles. Her employer pays a mileage allowance of 20p a mile, which is less than HMRC's approved mileage rate for the first 10,000 business miles.

Nina and her employer do not have to pay NICs.

**Example**

Norman makes a business journey in his car travelling directly from home and back again, a distance of 70 miles. His employer pays a mileage rate of 50p a mile and pays for the full 70 miles. HMRC's approved mileage rate for the first 10,000 miles is 40p a mile.

Payment made	70 miles x 50p =	£35.00
HMRC approved rate	70 miles x 40p =	<u>£28.00</u>
		£ 7.00

The amount on which Norman and his employer have to pay Class 1 NICs is £7.00.

**Example**

Odette's employer pays a mileage rate of 60p a mile for business travel but takes account of any miles she has saved by not having to make her ordinary commuting journey. Odette's normal home to work journey is 20 miles there and back. HMRC's approved mileage rate for the first 10,000 miles is 40p.

One day she travels direct between home and a temporary workplace, a round trip of 100 miles.

Payments made	80 miles x 60p =	£48.00
For NICs purposes she is allowed	100 miles x 40p =	<u>£40.00</u>
		£ 8.00

So Odette and her employer will have to pay Class 1 NICs on £8.00.

**Example**

Ola's employer pays a mileage rate of 70p a mile for business journeys calculated by comparing the cost of the journey from his home to the temporary workplace with what it would have cost if the journey had started and finished at his normal workplace. HMRC's approved mileage rate for the first 10,000 miles is 40p.

One day Ola drives straight from home to a temporary workplace 20 miles away. From there he goes eight miles to his normal office and finally returns home that evening, a further distance of 15 miles.

Applying the 'lesser-of' basis, Ola's employer pays him £11.20 for the journey, that is, for the 16 mile round trip between his normal office and the temporary workplace.

The NICs position is:

Payments made 16 miles x 70p = £11.20

For NICs purposes

Ola is allowed 28 miles x 40p = £11.20

So Ola and his employer will not have to pay NICs.