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- 8.1 This chapter explains the tax treatment of some other types of travel and related expenses. The NICs treatment will in most cases follow that for tax. Further information can be found in the latest edition of booklet CWG2 *Employer Further Guide to PAYE and NICs*.

Incidental overnight expenses

- 8.2 An employee making a business trip may spend money on items such as private phone calls, laundry and newspapers. These are not 'travel expenses' – they are personal expenses incurred while travelling. An employee is not entitled to relief for personal expenses of this kind under the general expenses rules. But there is a separate rule which gives tax relief for these expenses in certain circumstances.
- 8.3 Employees who stay away overnight while travelling on business, or attending work-related training of the kind described in paragraphs 8.7 and 8.8, are entitled to relief for personal expenses they incur where these are paid for or reimbursed by, or on behalf of, their employer. Employees are not entitled to relief for expenses they pay out of their own money which their employer does not reimburse.
- 8.4 Employees are entitled to relief for these expenses if the employer pays or reimburses no more than:
- £5 for every night spent away on business in the UK
 - £10 for every night spent away on business outside the UK.

Example

Petula stays in a hotel in Peterborough for three nights as part of a business trip. During that time she spends £4.50 on personal telephone calls and £1.50 on newspapers. Her employer reimburses these expenses. Petula is not entitled to relief for these expenses under the general expenses rules but she is entitled to relief under the separate rule for incidental overnight expenses.

- 8.5 Where the employer pays more than the amounts shown above, unless there is an established policy which requires employees to repay any excess over these amounts (and repayment is made within a reasonable time), the employee is taxed on the **full amount** paid by the employer and is not entitled to any relief to set against that amount.

Example

Philip stays in a hotel in Sheffield for one night as part of a business trip. His employer gives him an allowance of £6 to spend on personal expenses. Philip is taxable on the whole of the £6. He is not entitled to any relief under the separate rule for incidental overnight expenses because his employer has paid him more than £5 a night.

- 8.6 The limits specified should be applied to the whole period an employee spends away not to each night separately.

Example

Rachel stays away on business in Exeter for three nights. Her employer reimburses the following personal expenses:

	£
Night 1	5.50
Night 2	6.00
Night 3	<u>2.50</u>
Total	14.00

Rachel is entitled to relief for all these expenses. Her employer reimbursed more than £5 on nights one and two - but over the period of three nights Rachel's employer did not reimburse more than £15 in total.

Training courses provided by employers

- 8.7 Employees who travel to 'work-related' training where the cost of their journey is paid for or reimbursed by, or on behalf of, their employer or a third party, are entitled to relief for the amount paid or reimbursed by their employer. They are also entitled to relief for incidental overnight expenses where the appropriate conditions are met. But employees are not entitled to relief for expenses they pay out of their own funds and which their employer does not reimburse.
- 8.8 The definition of work-related training is wide enough to cover most types of training in genuine workplace skills. But it does not include training offered as a reward or an inducement. So a sales techniques course in the UK for a company's sales team will be work-related training but a conference in the Seychelles for the firm's top ten salesmen will not.

Example

Robert is a cook working in Preston. His employer pays for him to go on a 10 month course at a college in Blackpool to improve his catering qualifications. He travels to Blackpool daily and his employer pays him travel costs. Robert is not taxed on these payments.

Removal expenses

- 8.9 Where an employee has to move house because of their work, the employee is entitled to relief for the first £8,000 of qualifying removal expenses where these are paid or reimbursed by, or on behalf of, the employer. Employees are **not** entitled to relief for expenses they pay out of their own funds and which their employer does not reimburse.
- 8.10 Some of the removal expenses for which relief is available include the cost of making certain journeys and related subsistence.

For example they might include:

- preliminary visits to the new location
- travelling between the old home and the new work place
- travelling between the new home and the old work place (where the employee moves house before moving jobs)
- temporary living accommodation

- travelling between the old home and the temporary living accommodation
- travelling from the new home to the temporary living accommodation (where the employee moves house before moving jobs)
- travelling from the old home to the new home when the employee moves house.

Example

Sanjay's employer requires him to move from Cardiff to Norwich. He travels to Norwich on three occasions to look at houses. His employer reimburses the cost of two of these visits but not the third. Sanjay is entitled to relief for the cost of two of these visits but not for the third because his employer did not reimburse the cost.

Sanjay starts work in Norwich and stays in bed and breakfast accommodation for around three months until he sells his house in Cardiff. His employer pays for his journey to Norwich and his accommodation. Sanjay is entitled to relief for both the full cost of his journey to Norwich and the cost of his accommodation.

Directors who are acting on behalf of a professional practice

- 8.11 Professional people such as solicitors are sometimes made directors of companies on behalf of their professional practice and not for any other reason. They will not have any direct or indirect financial interest in the company.
- 8.12 Where this happens the expenses they incur in carrying out their duties as a director are treated for tax purposes as expenses incurred by the professional practice. This means the professional practice gets relief for these expenses when its taxable business profits are worked out.
- 8.13 Where someone is a director acting on behalf of a professional practice and the company pays for reasonable travel expenses, the director is entitled to relief for those expenses provided the professional practice does not claim relief for them when it works out its taxable business profits.

Example

Sarah is a solicitor who is a partner in a local firm. She is executor to the estate of Saul who was the only shareholder in a property holding company. As part of her duties as executor Sarah becomes a director of the company and arranges for it to be sold. She visits a number of people who are interested in buying the company and the company reimburses her for the cost of these journeys. Sarah is entitled to relief for the expenses provided that her firm does not claim relief for these expenses when it works out its taxable business profits.

Directors who are not paid

8.14 Where:

- a director gives their services to a company without remuneration, and
- the company is not run with a view to dividends – for example a company owning a hall or sports ground or running a club,

the director is entitled to relief for any payments he or she receives to cover the cost of travel and subsistence.

Example

Sean is a director of a company which runs the local parish carnival. The company is not run with a view to dividends and Sean is not paid a wage for the work he does. He visits a number of marquee specialists to discuss his requirements and the company reimburses his travelling expenses. Sean is entitled to relief for the reimbursed expenses.

Disruption to public transport caused by strikes

8.15 Sometimes when public transport is disrupted by a strike or other industrial action an employee will incur extra costs travelling to or from their place of work or staying in a hotel or other overnight accommodation at or near their permanent workplace. Where the employer provides reasonable amounts towards the cost or meets the costs directly (for example, through a block booking) the employee is entitled to relief for the amount paid by their employer. But where an employee spends more on ordinary commuting or subsistence because of a strike and the employer does not reimburse that sum, the employee is not entitled to relief for the extra expense.

Example

Siobhan travels to work in Southampton by train and bus. Public transport is disrupted as a result of a strike. Siobhan cannot get home easily and her employer agrees to pay for her to stay in a hotel near her place of work. Siobhan is entitled to relief for the cost of the hotel room provided by her employer.

Late night travel home

8.16 In general, where an employer provides free transport or pays for transport for an employee's journey between home and a permanent workplace:

- the employee will be taxed on the benefit of the free travel, and
- will not be entitled to relief to set against that benefit.

8.17 However, an employee will be entitled to relief where:

- he or she is occasionally required to work late, **but**
- those occasions are irregular, **and**
- by the time the employee can go home
 - public transport has stopped, or
 - it would not be reasonable for the employer to expect the employee to use public transport, for example where the low level of availability or reliability of services at that time of night mean that a journey using public transport would be likely to take much longer than a normal journey between work and home.

Where **all** these conditions are met the employee is not taxed if the employer provides a taxi, hire car or similar private transport to take him or her home:

- 'work late' means working until 9pm or later
- 'irregular' means a pattern that is not predictable – for example, if late night transport is provided every Friday this is not irregular.

8.18 Relief is not available under this rule:

- where employees work late from choice
- where late working is a regular feature of an employee's job – for example people employed in restaurants, clubs and pubs whether on a shift basis or not, or those on regular call-out duty
- where employees incur expenses on travelling home late but the employer does not reimburse those expenses
- for more than 60 journeys in the tax year.

Example

Steve has a job providing support for an office computer system. He normally works 8.00am to 5.00pm and travels to work by bus. Three or four times a year he is required at short notice to stay at the office until 10.00pm to solve problems with the computer system. The bus service stops running at 8.00pm so when he is required to work late his employer pays for a taxi to take him home. Steve is not taxed on the benefit of the free transport home.

Car sharing breakdown

- 8.19 Where an employee who regularly travels to work as part of a car sharing scheme finds that due to unforeseen and exceptional circumstances they cannot on a particular occasion get home in the shared car, an employer can pay or provide for the employee's journey home tax and NICs free.
- 8.20 Unforeseen and exceptional circumstances include those where the employee travels home at their normal time but, for reasons beyond their control, they cannot travel in the shared car at that time.
- 8.21 They do not include circumstances where, on any occasion, inability to travel home in the shared car might reasonably have been anticipated. Nor is this allowed on more than 60 journeys in a tax year. Any journeys that qualify for relief under the late night travel rules must be included in working out whether the limit of 60 journeys has been reached.

Disabled people

8.22 Where a disabled employee:

- is provided with a means of travelling to or from their place of employment, or
- receives financial assistance with the cost of travelling between home and their permanent workplace

the employee will not be taxed on this benefit.

But if the cost is not met by their employer, or some other third party, the employee is not entitled to relief.

Expenses of a spouse accompanying an employee on a business trip

8.23 In general, where an employer pays for an employee to take their spouse on a business trip, the employee will be taxed on the cost of the spouse's travel. Relief may be available where the spouse has some practical qualifications directly associated with the purpose of the trip and which he or she regularly uses to assist the employee. Relief is also normally available for a spouse's expenses where the employee's health is so poor that it would be unreasonable to expect him or her to travel alone.

Car parking

8.24 Where an employer provides a free parking space or reimburses the cost of a parking space at or near an employee's place of work, there is no tax charge.

Employees are not entitled to relief for these costs if they pay them out of their own money which their employer does not reimburse.

Offshore oil and gas workers

8.25 Workers on offshore oil and gas rigs have to travel from the mainland to the rig. Their employer or a third party usually provides free transport or pays for this part of their journey. Where this happens, the employees are entitled to relief for the full cost of the transport provided.

8.26 Sometimes the transport from the mainland to the rig leaves at a time that means the employees have to stay overnight on the mainland close to where the transport leaves. Where this happens and the employer provides, or pays for, reasonable accommodation and subsistence, the employees are entitled to relief for the cost of that accommodation and subsistence.

Working rule agreements

8.27 These agreements are drawn up between employers' federations and trade unions. They set out the terms and conditions of a large number of employees in the construction and allied industries. We have agreed that some of the modest travel and subsistence allowances employees receive under these agreements will not be taxed.

An employee who receives tax free allowances under a working rule agreement is still entitled to relief under the ordinary rules.

The employee is entitled to relief for:

- the full cost of the business journeys, *less*
- the amount of tax free allowance he or she received.

Example

Tamara is employed by a construction company. She works on a large number of different sites in the course of a year and does not have a permanent workplace. One week she spends four days working on a site in Ipswich. She travels to Ipswich by train and spends three nights in bed and breakfast accommodation. Her employer pays her £65 tax free travel and lodging allowances under the terms of a working rule agreement.

Tamara spends a total of £70 on her travel and subsistence in Ipswich. She is entitled to tax relief under the ordinary rules for £5 which is

the full cost of her business journeys	£70
<i>less</i> the amount of tax free allowances she received	<u>£65</u>
	£ 5