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General rule

- 9.1 An employer reimbursing or paying an employee's travel expenses or who pays directly for an employee's travel should:
- report details of the payments to us on form P11D by 6 July after the end of the tax year, and
 - provide the employee with the details, or a copy of the P11D report, also by 6 July after the end of the tax year, and
 - report details of Class 1A NICs on form P11D(b).

References here and elsewhere to form P11D apply equally to equivalent returns, including returns in an alternative format agreed with us.

- 9.2 For employees paid at a rate of £8,500 a year or more, employers must also report the cash equivalent of any benefit including travel benefits – for example, the provision of overnight accommodation or other travel facilities.

Exceptions to the general rule

- 9.3 Details do not have to be reported on form P11D if the payments:
- are not taxable
 - are covered by a dispensation (see paragraphs 10.1 to 10.9)
 - are included in a PAYE Settlement Agreement (PSA) (see paragraphs 10.10 to 10.12).

The rules for reporting mileage expenses payments made to employees using their own vehicle for work are different to the general rules on reporting payments. See paragraph 9.13.

What has to be reported

- 9.4 Except for those items detailed in paragraph 9.3, employers must report on the P11D:
- the full amount of any cash payment made direct to employees (or to some other person to settle a bill in the employee's name) to meet the cost of travel, but see paragraph 9.13 for details of the special rules for mileage allowance payments for business travel in the employee's own vehicle
 - the cost of any travel tickets, accommodation, meals or other travel facilities purchased by the employer and used by employees
 - the cash equivalent of any in-house provision of transport, accommodation, meals or other travel facilities to employees
 - the cash equivalent of any travel facilities the employer arranges to be provided by a third party.
- 9.5 There is more detail in the paragraphs which follow. But the important point to keep in mind is that in every case (unless covered by a dispensation or included in a PSA), the amount to be included on the form P11D is the amount of the payment or cash equivalent **before** any relief to which the employee may be entitled. The only exception to this is for mileage allowance payments for travel in the employee's own vehicle, where the rules which apply from 6 April 2002 require employers to include the excess over the tax-free amount when completing form P11D. See Appendix A.

Round sum allowances

- 9.6 If an employer pays an employee a round sum allowance for business travel, it is not regarded as a reimbursement of actual expenditure incurred. The whole of the allowance should be treated as gross pay for PAYE purposes. However, where a round sum allowance is clearly intended to do no more than reimburse an employee for an expense actually incurred in doing their job, and the expense was incurred only because of the job, the Inspector may be prepared to agree that the employer can pay the allowance without deducting PAYE. Before doing this, the Inspector will need to be satisfied that the allowance will do no more than reimburse the costs incurred.

For guidance on the NICs position, see the latest edition of booklet CWG2.

Example

Thomas's employer pays him £8 a night to cover the cost of an evening meal when he has to stay away overnight on business. The employer only allows him to claim this amount if he actually has to purchase an evening meal – not, for example, if he is taken out to dinner by a client. The Inspector may agree that this payment is designed to do no more than reimburse expenditure actually incurred and allow the payment to be reported on form P11D rather than be subject to PAYE.

Example

Tracy is a safety inspector who travels regularly on business. Her employer pays her £300 to cover the cost of her hotel room and evening meal. She rarely spends more than £150. Tracy's employer must operate PAYE on these round sum allowances. Tracy will be entitled to relief for the full cost of her business travel at the end of the tax year.

- 9.7 Any employer wanting to pay a round sum allowance without deduction of PAYE should let their Inspector have details of the amount, the circumstances in which payment is to be made and what the allowance is intended to cover.

Where the Inspector agrees that an allowance may be paid without deducting PAYE the employer must:

- include details in the relevant boxes on form P11D, and
- notify the Inspector of any change to
 - the amount of the allowance
 - the circumstances in which the allowance is paid.

Reimbursement of travel expenses

- 9.8 An employer does not have to operate PAYE on payments to employees in respect of business travel where the amounts paid:

- do no more than reimburse costs actually incurred in making a business journey, or
- are based on a 'scale rate' clearly designed to do no more than meet expenses incurred – but in this case, not operating PAYE has to be agreed in advance with the Inspector.

- 9.9 Where a payment to an employee in respect of business travel:

- exceeds the expenses actually incurred, or
- is based on a scale rate that has not been agreed by the Inspector as clearly designed to do no more than meet expenses actually incurred, or
- is a round sum allowance that has not been agreed by the Inspector

the **full** amount of the payments must be included as gross pay for PAYE purposes.

Except for business mileage, where special rules apply, the employee will still be entitled to relief for the full cost of business travel incurred.

Example

Trevor's employer pays him an allowance of £5 a mile for using his own car for business travel. The whole of the payment is subject to PAYE. Trevor is entitled to mileage allowance relief worked out from the approved mileage rates for business miles that he has travelled. See paragraph 5.16.

9.10 Where an employer pays for the cost of an employee's ordinary commuting journey the full amount of the payments must be included as gross pay for PAYE purposes.

Provision of travel facilities

9.11 Where, instead of reimbursing travel expenses, an employer:

- meets directly an employee's liability, for example by paying a hotel bill
- provides vouchers (such as rail or air tickets) or a credit card for the employee to buy travel facilities

there is a tax charge on the employee (against which relief is available for qualifying travelling expenses).

The employer should report on form P11D the cost incurred in providing the voucher or meeting the hotel bill etc, unless the Inspector has agreed a dispensation in respect of the travel payments (see paragraphs 10.1 to 10.9).

9.12 There is also a tax charge on employees paid at a rate of £8,500 a year or more, on travel benefits such as transport, meals or a hotel room provided by the employer. The employer should report the cash equivalent of the benefit.

Example

Ursula attends a staff conference to review the year's results. She travels by train to the conference venue using a ticket supplied by her employer. Accommodation is provided in a facility owned by Ursula's employer and meals provided at the conference venue are paid for directly by Ursula's employer. There is no dispensation or PSA covering any of the payments made or facilities provided. All must be reported as benefits on the P11D. Ursula will be entitled to tax relief for the full costs incurred (by her or by her employer on her behalf).

Payments to employees for using their own vehicles for work

9.13 Employers must use a special system for working out and reporting any taxable part of all payments made to employees for the expenses of business travel in privately owned cars, vans, motorcycles and cycles. For more details about these rules, see Chapter 16 of booklet 480 or the latest edition of booklet CWG2.

Table of reporting requirements

9.14 A table setting out what has to be reported for tax and NICs is at Appendix A.