



HM Revenue  
& Customs

490

# Employee travel

A tax and NICs guide for employers

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## **490**

This guide sets out HM Revenue & Customs (HMRC) approach in applying the legislation on employee travel.

The guide itself has no binding force in law and does not affect any right of appeal by either party.

- 1.3 Overview
- 1.7 The basis of tax relief for employee travel and subsistence
- 1.8 Some outline examples

- 1.1 This guide describes the tax and National Insurance contributions (NICs) treatment of business travel by employees. It explains what counts as 'business travel' and, for employees other than those using their own vehicles, the kinds of expenses which qualify for relief. See booklet 480 *Expenses and benefits – a tax guide* chapter 16 for information about relief for mileage expenses in an employee's own vehicle.

It applies to all employers who pay travel expenses whether:

- by reimbursing employees' business travel costs
  - by paying directly for business travel on behalf of employees, or
  - by providing travel facilities for employees.
- 1.2 References throughout the guide to 'employees' apply equally to 'office holders', where income from the office in question is subject to tax as employment income.

Travel expenses include subsistence costs attributable to the journeys.

### Overview

- 1.3 Broadly, employees are taxable on all the income they receive from their employment including pay, benefits in kind (such as company cars) and any expenses payments (including payments relating to business travel).
- 1.4 Tax relief is available in two ways:
- by **exemption** – certain payments or benefits in kind that an employee receives are exempt from tax. This means they are not taxable. Where a payment or benefit in kind is exempt, employers do not need to report the amount to us and employees do not have to apply for relief
  - by **deduction** – certain amounts can be deducted from an employee's total income before arriving at the amount on which he or she will be taxed. Where relief is available by deduction, the employer must report expenses payments or benefits in kind to us, and employees need to apply to their HMRC office for further relief.

This guide uses the term 'relief' to cover both relief available by exemption and relief available by deduction.

- 1.5 It is important to remember that the tax rules determine the amount on which relief is due. They **do not** determine the level of payment or provision an employer can or should make. So the full cost of a business journey may be more or less than the expenses paid or met by the employer.
- 1.6 The same general rules apply where an employee personally pays for the travel or where the cost of the travel is met by the employer, or a third party by reason of the employment.

For example, the same general rules apply where:

- the costs are reimbursed, or
- the costs are met directly on the employee's behalf, or
- vouchers (such as travel tickets) or credit tokens are provided to the employee, or
- travel facilities (such as accommodation) are provided direct to the employee.

## **The basis of tax relief for employee travel and subsistence**

1.7 Employees are entitled to relief for the full cost they are obliged to incur travelling in the performance of their duties or travelling to or from a place they have to attend in the performance of their duties – as long as the journey is not ordinary commuting or private travel. 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 on page 58.

### **Some outline examples**

1.8 The examples below show how the rules work in some typical situations. The cost figures are illustrative.

#### **Example**

Abner is a lathe operator whose permanent workplace is in Bacup. One day he has to travel to a temporary workplace in Glossop to look at a new machine.

He is entitled to relief for the full cost of his journey because it is a journey to a temporary workplace.

#### **Example**

Aisling lives in Tunbridge Wells and each day drives to her permanent workplace in Ashford where she works as a trainee accountant. She gets no relief for the cost of this journey because it is ordinary commuting.

#### **Example**

Alan lives and works in Truro but goes to Penzance for the weekend to surf. He takes some work with him to finish it off for Monday morning.

He is not entitled to relief for the cost of his journey to Penzance because it is private travel.

#### **Example**

Anne normally works at her employer's offices in London, travelling each day from home in Oxford at a cost of £30 a day. One day she has to visit a temporary workplace in Hereford, travelling directly between there and her home. The cost of the return journey is £34. Anne is entitled to relief for the full cost of her business travel, £34.

#### **Example**

Austin is an installation engineer who works at the premises of his employer's various clients throughout the United Kingdom. He has no permanent workplace and attends each temporary workplace for a short period only. One week he travels between his home in Dover to a temporary workplace in Gloucester, staying in a hotel for four nights and, then returning to Dover. The cost of the return journey is £130. The cost of subsistence (four nights in the hotel plus meals) is £300.

Austin is entitled to relief for the full cost of his business travel, £430.

## **National Insurance contributions**

- 1.9 For National Insurance contributions (NICs), the position depends on how the travel costs are met. Where payments in respect of business travel are reasonable they will be excluded. So there would be no question of a NICs liability where an employer makes a travel payment which does no more than reimburse an employee for the **full** cost of business travel. However, if an employer reimburses the cost of, or directly pays for, travel arrangements which do more than that, there is a Class 1 liability to be accounted for through the payroll in the pay period in which the payment is made. As for tax, there are special rules for working out the NICs on motoring expenses paid to employees for using their own vehicles for business travel – see paragraph 6.3 on page 38.
- 1.10 Where an employer arranges or provides travel facilities for an employee, if the benefit is exempt from tax it will also be exempt from Class 1A NICs. Where Class 1A NICs are due they must be accounted for in the same manner as any other Class 1A NICs which the employer is due to pay.

Further guidance on NICs is given in Chapter 6 of this guide.

- 2.5 Travel in the performance of the employee's duties
- 2.7 Travel to a place where attendance is in the performance of duties
- 2.9 Travel between employments
- 2.10 Travel between separate employers within a group
- 2.11 Joint projects

- 2.1 The rules allow relief for the full cost of business travelling expenses, except that 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.

Business travelling expenses are travelling expenses which involve two types of business journey:

- journeys which employees **have to** make in the performance of their duties, and
- journeys which employees make to or from a place they **have to** attend in the performance of their duties – but not journeys which are ordinary commuting or private travel.

- 2.2 Relief is available only where travel is in the actual performance of the duties or where it is necessary – in a real sense – for the employee to attend the particular place on that occasion to perform the duties of their employment.
- 2.3 There is no relief for any costs relating to ordinary commuting (apart from the exceptional case where an employee's home is a workplace for tax purposes, see paragraph 3.29). In general terms, ordinary commuting means travel between home and a permanent workplace. The next chapter explains in more detail what is meant by 'ordinary commuting' (see paragraph 3.2) and 'permanent workplace' (see paragraph 3.9).
- 2.4 There is also no relief for any costs relating to private travel. In general terms, private travel is a journey made for private rather than work purposes. The next chapter explains in more detail what is meant by 'private travel' (see paragraph 3.32).

### Travel in the performance of the employee's duties

- 2.5 The sort of travel that qualifies for relief on this basis is travel that is 'on the job', as distinct from travel 'to the job'. The most common example is travel between one workplace and another in connection with a single employment. The cost of such travel is incurred in actually carrying out the duties of the employment.

#### Example

Baljit travels from her permanent workplace to visit a client and back again.

Relief is available for the full cost of this travel because it is in the performance of Baljit's duties.

For guidance on cases where one of the workplaces is the employee's home, see paragraph 3.28.

- 2.6 Another example is where travel is integral to the performance of the duties. Typical examples are a commercial traveller, or a service engineer who moves from place to place during the day carrying out repairs to domestic appliances at clients' premises. Such employees are sometimes described as having travelling appointments.

#### Example

Barry is employed as a tree surgeon. He travels each day to visit anything up to 20 customers or potential clients. He has no permanent workplace and performs the duties of his employment at customers' homes. Travel is an integral part of his job. Relief is available for the cost of all Barry's business travel.



## **Travel to a place where attendance is in the performance of duties**

2.7 This category covers journeys an employee makes to or from a place he or she **has to** attend to carry out duties of that employment. A typical example might be where an employee has to travel directly between home and a temporary workplace such as a client's office. But it is important to remember that no relief is available for the cost of ordinary commuting or private travel.

### **Example**

Belinda is a purchaser for a major retailing company. Although she has a permanent workplace in Doncaster, she has to spend several days each month visiting suppliers all over the country, often travelling directly to and from home. Relief is available for the full cost of her business travel to suppliers, but not for her travel to her permanent workplace in Doncaster because that is ordinary commuting.

2.8 The essential point is that to get relief for the cost of travel, the employee's attendance at the temporary workplace has to be necessary in the sense that it is dictated by the requirements of the duties of the employment and not, in any way, by the personal convenience of the employee. Similarly, an employer cannot turn an ordinary commuting journey into a business journey by requiring an employee to stop off on the way to carry out business tasks such as making phone calls. Paragraphs 4.3 to 4.5 explain this in more detail.

## **Travel between employments**

2.9 Generally, where someone has two employments, the duties of which are performed at different places, there is no relief available for the cost of travelling between those places.

But relief is available in the case of people who:

- hold employments with more than one company in a group (see paragraph 2.10), or
- have more than one job and the duties of one of them are performed wholly or partly overseas (see paragraphs 7.4 to 7.7).

### **Example**

Chester has two separate employments. Each morning he travels from his home in Godalming to his job as a shop assistant in London. Each evening he travels directly from that workplace to Guildford where he works in a bar. He travels home to Godalming at the end of the day. There is no relief available for the cost of Chester's travel to and from or between his two jobs.

## **Travel between separate employers within a group**

2.10 Someone who is a director and/or employee of two companies within a group of companies may be entitled to relief for the cost of a journey between workplaces for the performance of the duties of those separate offices or employments. For this purpose companies will be regarded as being members of the same group if one is at least a 51% subsidiary of the other, or both are at least 51% subsidiaries of a third company.

**Example**

Chloe is an employee of company A. She is also an employee of companies B and C. Company A has a 51% holding in company B and a 51% holding in company C. Relief is available for the cost of Chloe's travel between various workplaces for the performance of duties of the three employments.

**Example**

Christopher is an employee of company X and company Y and a director of company Z. Company Z is an 80% subsidiary of company Y and company Y is an 80% subsidiary of company X. Company X has no direct holding in company Z. Relief is available for the cost of Christopher's travel between company X and company Y and between company Y and company Z. In each case the direct 80% holding makes the companies part of the same group. Relief is also available for the cost of travel between company X and company Z – although there is no direct holding, the indirect holding of 64% (80% x 80%) qualifies for the purpose of the group test.

**Joint projects**

- 2.11 Two or more employers may act together on a particular project. Sometimes they will form a joint enterprise for this purpose. An employee of either of them whose duties require him or her to act on behalf of the joint enterprise is entitled to relief for business travel.

**Example**

Bricks Inc and Mortar Inc work together on a project to build a new industrial development. They operate through a company Project Inc (set up solely for this purpose) in which they each have a 50% holding. Claire is responsible for managing the project. At all times she remains and acts as an employee of Bricks Inc. Project Inc pays Bricks Inc for Claire's services.

Claire is entitled to relief for the cost of her travel between Bricks Inc and Project Inc and between either of these companies and Mortar Inc – not because they are members of a group (they are not), but because she is travelling in the performance of the duties of her employment with Bricks Inc.

- 3.2 What is ordinary commuting?
- 3.9 Permanent workplace
- 3.10 Regular attendance at a workplace
- 3.11 Temporary workplace – attendance for a limited duration or temporary purpose
- 3.12 Limited duration – the 24 month rule
- 3.16 Breaks in attendance
- 3.17 No requirement to return to a permanent workplace
- 3.18 Fixed term appointments
- 3.19 Agency workers
- 3.20 People with more than one workplace at the same time
- 3.23 Attendance for a temporary purpose
- 3.25 Depots and similar bases
- 3.28 Employees who work at home
- 3.31 Private travel
- 3.33 Duties defined by reference to a particular area
- 3.38 When a workplace ceases to be a permanent workplace
- 3.39 Passing work on the way to somewhere else
- 3.40 Emergency call-out expenses
- 3.42 Employee on stand-by

- 3.1 An employee cannot have relief for the cost of a journey which is ordinary commuting or private travel. Paragraphs 3.2 to 3.28 explain what journeys are ordinary commuting. Paragraphs 3.31 and 3.32 explain what journeys are private travel.

**What is ordinary commuting?**

- 3.2 For most employees, ordinary commuting is the journey they make most days between their home and their permanent workplace. However, for some employees the position is more complicated. The term 'ordinary commuting' means any travel between a permanent workplace and home, or any other place which is **not** a workplace. A workplace is a place where the employee's attendance is necessary for the performance of the duties of that employment.
- 3.3 So, in general, there is no relief for the cost of travel between an employee's permanent workplace and
- an employee's home or
  - any other place the employee visits for non-work reasons or
  - any place where the employee performs the duties of another job.
- 3.4 Any journey between an employee's permanent workplace and home, or any other place where the employee's attendance is not necessary for the duties of that employment, is ordinary commuting – for which no relief is due.

**Example**

Dermot's employer sometimes requires him to attend his permanent workplace outside normal working hours – for example, at the weekend. This means he incurs extra costs on bus fares, the cost of meals eaten at his desk and sometimes even the cost of overnight accommodation near his workplace. No relief is available for any of this expenditure because all journeys between home and his permanent workplace are ordinary commuting. It makes no difference that Dermot's employer requires him to make the journeys or that they are made outside his normal working hours.

- 3.5 An employee cannot turn what is really an ordinary commuting journey into a business journey simply by arranging a business appointment somewhere on the way just to get relief. To get relief the employee must be able to show that the attendance at the particular place on that occasion was necessary – in a real sense – for the performance of the duties of that employment and was not just a matter of personal convenience.
- 3.6 Similarly, an employer cannot turn an ordinary commuting journey into a business journey by requiring an employee to stop off on the way to carry out business tasks such as making phone calls. See paragraphs 2.8 and 4.3 to 4.5.
- 3.7 Where someone other than the employee pays or provides for their ordinary commuting (by reimbursing the costs, by paying directly for the travel or by providing travel facilities) and this arises from or by reason of the employment, the payment or provision is taxable. Reimbursements must be included as gross pay for PAYE purposes. All such payments and benefits should be reported on form P11D. The tax charge arises irrespective of whether the payment or provision is made by the employer or by a third party.
- 3.8 There is an exemption for certain benefits provided through a travel plan. A travel plan is a package of practical measures designed to reduce car use for journeys to and from work, and for business travel. Travel Plans are put together by employers, and can be adapted to suit the particular needs of individual sites.

Examples of what could be included in a travel plan include:

- a works bus provided by an employer that is available to all employees generally to transport them to and from work
- cycles or cycling safety equipment.

**Example**

To encourage staff to move to a new site at an out of town industrial development, an employer lays on a free bus service for his employees. Because the bus service is available to all employees generally to transport them to and from work there will be no tax charge.

**Permanent workplace**

- 3.9 It is usually clear whether or not a place is an employee's permanent workplace (and, therefore, whether a journey to that place is ordinary commuting). A place where an employee works is a permanent workplace if he or she attends it **regularly** for the performance of the duties of the employment. But it will not be a permanent workplace if it is a temporary workplace. A temporary workplace is somewhere the employee goes only to perform a task of **limited duration** or for a **temporary purpose**. Paragraph 3.10 explains 'attends regularly', paragraphs 3.11 to 3.24 explain 'temporary workplace', 'limited duration' and 'temporary purpose'.

**Regular attendance at a workplace**

- 3.10 An employee attends a permanent workplace if the attendance is frequent, follows a pattern, or it is the place the employee usually attends for all or almost all of the period for which he or she holds or is likely to hold that employment. The proportion of an employee's working time spent at a particular workplace is a factor in determining whether or not it is treated as a permanent workplace. But it is not the only factor. Even if the employee attends the workplace only on one or two days a week, if it is on a regular basis, the workplace may still be a permanent workplace. It is possible for an employee to have two or more permanent workplaces. The employee will not be entitled to relief for the costs incurred in travelling from home to any of the permanent workplaces (see paragraph 3.20).

**Temporary workplace – attendance for a limited duration or temporary purpose**

- 3.11 A place is a temporary workplace if an employee goes there only to perform a task of limited duration or for a temporary purpose. So even where an employee attends a workplace regularly, it will be a temporary workplace and, therefore, not a permanent workplace if the employee attends for **the purpose of performing a task of limited duration or other temporary purpose**.

**Limited duration – the 24 month rule**

- 3.12 As explained in paragraph 3.11, a place which an employee attends for the purpose of performing a task of limited duration or for some other temporary purpose is a temporary workplace. But there is a special rule which prevents a workplace being a temporary workplace where an employee attends it in the course of a period of continuous work which lasts, or is likely to last, more than 24 months.
- 3.13 A period of continuous work is a period of work throughout which the duties of the employment are performed to a significant extent at that place. For the purposes of operating this rule we regard duties as performed to a significant extent at any workplace if an employee spends 40% or more of their working time at that place.
- 3.14 The test is whether the employee has spent, or is likely to spend, 40% or more of their working time at that particular workplace over a period of more than 24 months. Where that is the case the workplace is a permanent workplace so travel between there and home is ordinary commuting for which there is no relief.

**Example**

Doris has worked for five years at her employer's head office in Warrington. She is sent by her employer to perform duties at a branch office in Wigan for 18 months. Relief is available for the full cost of Doris's travel between home and the temporary workplace in Wigan.

**Example**

Duncan has worked for his employer for 10 years and is sent to perform full-time duties at a workplace for 28 months. There is no relief for the cost of travel to and from the workplace, because his attendance there is known from the outset to be for more than 24 months so the workplace is a permanent workplace. His home to work travel is therefore ordinary commuting for which no relief is available.

**Example**

Dymphna has worked for her employer for three years and is sent to perform full-time duties at a workplace for 28 months but the posting is unexpectedly ended after 18 months. No relief is available for the cost of travel between her home and the workplace, because her attendance is expected to exceed 24 months (though in fact it does not). The workplace is therefore a permanent workplace and the journey is ordinary commuting.

**Example**

Earl has worked for his employer for three years. He is sent to perform full-time duties at a workplace for 18 months. After 10 months the posting is extended to 28 months. Relief is available for the full cost of travel to and from the workplace during the first 10 months (while his attendance is expected to be for less than 24 months) but not after that (once his attendance is expected to exceed 24 months).

**Example**

Edina has worked for her employer for seven years and is sent to perform full-time duties at a workplace for 28 months. After 10 months the posting is shortened to 18 months. No relief is available for the cost of travel to and from the workplace during the first 10 months (while her attendance is expected to exceed 24 months) but relief is available for the full cost of travel during the final eight months (once her attendance is no longer expected to exceed 24 months).

**Example**

Edward lives and works in New Brighton where he is employed as an engineer. His employer sends him to work in Wrexham for 1½ days a week for 28 months. For the rest of the week he continues to work in New Brighton which remains a permanent workplace.

In considering whether Edward is entitled to relief for travel between home and Wrexham it is important to look at the amount of time he expects to spend there each week and for how long he expects to be in Wrexham. Because he expects to be in Wrexham for less than 40% of his working time, albeit over a period longer than 24 months, and he retains a permanent workplace in New Brighton, Wrexham is a temporary workplace for Edward and he is entitled to relief for the cost of getting there and back.

**Example**

Effie is employed as a food scientist by a manufacturer of ice cream cones. She lives in Porthmadog and works in Dolgellau. Her employer opens a new plant in Llandrindod Wells. Effie is sent to work there four days a week and expects to be there for 30 months. She is not entitled to relief for travel from home to Llandrindod Wells because she is spending more than 40% of her time at the new plant and expects to be there for more than 24 months. It is therefore a permanent workplace. Effie is not entitled to relief for travel from home to Dolgellau for the one day a week she goes there because the Dolgellau plant remains her permanent workplace.

**Example**

Ellery is employed as a financial adviser working in Brighton. His employer sends him to an office in Bournemouth for one day a week over a 10 month period.

He travels to Bournemouth directly from his home in Hastings. Ellery is entitled to relief for his travel to Bournemouth because he has gone there for a temporary purpose. He does not expect to spend more than 40% of his time there nor does he expect to be going there for more than 24 months.

**Example**

Eloise, a computer consultant, is the only employee of a company which she controls. She is a specialist in banking systems.

She spends 18 months working full-time at the headquarters of a merchant bank in Lombard Street in the City of London. She then moves next door to design a new computer system for a different bank where she expects to stay working full-time for 22 months.

After that assignment she moves to work at a bank close by on Cheapside for 17 months.

Eloise is not entitled to tax relief for her travel from home to these workplaces, because the nature of her work is such that she expects to work continuously in the 'Square Mile' albeit on the premises of different banks. So her travel from home to work will be broadly the same every day, year in year out (see paragraph 4.6).

**Example**

Elwyn is employed as a speech therapist at a hospital in Devizes. His employer sends him to Reading for three days a week to supervise a new department there.

He expects to be in Reading for 18 months. Elwyn is entitled to relief for his travel from home to Reading. Although he is spending more than 40% of his time in Reading he does not expect to be there for more than 24 months so Reading is a temporary workplace.

**Example**

Emily is employed as a seal doctor at a zoo on the south coast. She is sent to Morecambe to supervise a seal sanctuary for one day each month. She has done this for five years. Although Emily goes to Morecambe for more than 24 months she does not spend more than 40% of her working time there and she retains a permanent workplace on the south coast. So she is entitled to relief for her travel from home to Morecambe.

**Example**

Emmett lives in Knaresborough and has a part-time job working two days a week in Harrogate as a telephonist for an insurance company. He is asked to spend one of his two working days covering for a colleague at a branch in Ripon for a period of 32 months. Emmett is not entitled to relief for travel between home and Ripon because, while he spends only one day a week in Ripon, this is more than 40% of his working time and he expects to be there for more than 24 months. Emmett is not entitled to relief for the journey he makes between home and Harrogate on the other day he works because Harrogate remains a permanent workplace.

- 3.15 Usually it will be clear whether or not an employee expects to spend more than 40% of their working time at a particular workplace over a period of more than 24 months. Where there is some uncertainty, cases should be decided on their facts. An obvious starting point is what the employer has told the employee. Another point to consider may be whether the employee has moved home as a result of the change in workplace. An employee may be less likely to relocate for a posting that is expected to last under 24 months than for one that is expected to last longer. That is not to say, if someone does move home as a result of a change of workplace, it necessarily means they expect the new workplace to be permanent, or that if they do not move home they necessarily expect the new workplace to be temporary. Moving home is not a test, it is only one factor to be taken into consideration – but it is an important one.

### **Breaks in attendance**

- 3.16 A period of continuous work can remain continuous even where there is a break in attendance.

#### **Example**

Erica is employed as a computer consultant. She works full-time at a site for 18 months developing a new computer system. The work is then extended for another 18 months at the same workplace, for the roll-out of the new computer system. The roll-out is subject to a separate contract between the employer and client.

As long as Erica did not expect to be working on the site for more than 24 months she is entitled to relief for the cost of travelling from home to the site. Once her employer enters into a new contract Erica expects to be working on the site for more than 24 months so from that point she is not entitled to relief for her journey from home to the site.

#### **Example**

Ernest is employed to work full-time on a construction project which is expected to last for six years. Each time Ernest gets close to having worked on the site for nearly two years his employer moves him to another workplace for a week before returning him to the long term project site. Despite these moves, Ernest is spending a significant amount of his working time (more than 40%) at one site and the period during which he is doing so is greater than 24 months. So Ernest is not entitled to relief for his travel from home to the site.

#### **Example**

Etaoin is employed as a human resources consultant. She works full-time at a client's site for 17 months developing a new staff appraisal system and then deals with unexpected priority work elsewhere for three months. She then returns to the client's site for a further six months to co-ordinate the roll-out of the new system – as had been planned from the outset of the project.

So Etaoin expects to spend all her working time at the client's site for 23 months (17 + 6). She is entitled to relief for her travel from home to the site during the first 17 months because she does not then expect to be at the site for more than 24 months. She is not, however, entitled to relief for her travel from home to the client's site for the further 6 months. That is because she now expects to spend more than 40% of her working time at that site over a period longer than 24 months, (17 + 3 + 6 = 26 months).



### **No requirement to return to a permanent workplace**

- 3.17 An employee does **not** need to have a permanent workplace to go back to in order to get tax relief for travel to a temporary workplace.

#### **Example**

Eunice starts a new job as a trainee manager for a building society. When she starts her job her employer has not decided where she will be based. As part of her induction into the building society, for the first two months Eunice is required to spend a few weeks working full-time at each of a number of branches learning about the wide range of services the building society provides. After two months she is given a permanent posting to a branch in Swansea.

Eunice is entitled to relief for the full cost of her journeys from home to the branches she visits in the first two months of her employment. Eunice is not entitled to relief for the cost of travelling from her home to Swansea because this is an ordinary commuting journey.

### **Fixed term appointments**

- 3.18 A period of attendance at a place is not regarded as of limited duration or for a temporary purpose if it is all or almost all of the period for which the employee is likely to hold, or continue to hold, the employment.

#### **Example**

Everton is taken on for a fixed term employment of 18 months to work at a particular site. No relief is available for the cost of travel to and from the site during that period.

#### **Example**

Felicity is employed as a research scientist on a fixed term contract lasting 15 months. Most of her work is to be done in research laboratories in Upminster but in order to familiarise her with equipment which is new to her, her employer first sends her to the manufacturer's premises in Inverness. Felicity is entitled to relief for her travel to Inverness, but not for her travel from home to Upminster because it is the place where she will carry out duties for almost all of her employment.

We will not normally use this rule to deny relief for travel to a workplace which is the final posting for someone whose contract of employment has lasted for at least five years.

### **Agency workers**

- 3.19 Where a worker provides their services through an agency and generally attends only one workplace in respect of each engagement that workplace will usually be a permanent workplace. However, we recognise that nurses, domestic workers and others who provide their services through an agency may undertake a number of different jobs on the same day. In these circumstances, those workers may obtain tax relief for travel between those jobs, **but not** for travel from home to the **first** job and to home from the last job on each day.

#### **Example**

Ferdinand is a computer expert who provides his services through a company which he owns. He is the company's only employee. Each year the company has around 15 contracts with different clients around the country to supply Ferdinand's services. He regularly travels from home to work at the premises of the company's clients. Provided he does not expect to spend more than 40% of his working time for more than 24 months at any one site he is entitled to relief for all his journeys from home to the clients' premises.

**Example**

Finuala is an accounts clerk who gets all her work through an employment agency. She rarely takes a job which lasts more than two weeks. Finuala always travels straight from home to work at the premises of the employment agency's client. She is not entitled to relief for any of these journeys because each job is treated as a separate employment and so all her journeys are ordinary commuting.

**People with more than one workplace at the same time**

3.20 Someone who has two or more employments or is in an employment which requires regular attendance at more than one workplace, may have more than one permanent workplace during the same period.

**Example**

Fitz is a make-up artist employed by a large chain of chemist shops. He works five days each week but spends each day in a different shop in a different town. He works in the same shop on the same day each week.

Fitz is not entitled to relief for his travel from home to any of the shops. That is because he travels regularly to each shop and his work is neither of limited duration nor for a temporary purpose. So each shop is a separate permanent workplace.

**Example**

Florence is employed as an office manager by a firm of architects. The firm operates from offices in Bristol and Bath. Florence spends each morning at the office in Bristol and each afternoon at the office in Bath. Each office is a permanent workplace. Florence is not entitled to relief for the cost of travel between her home and either of the offices. However, travel between the two workplaces is travel in the performance of her duties. So relief is available for the full cost of this travel.

3.21 Most employees will not have more than one permanent workplace at the same time. Each case will depend on the particular facts.

The sort of things that would point to a workplace being a second permanent workplace include:

- the employee regularly performs a significant part of their duties there
- people would expect to be able to contact the employee at the second location
- the employee has an office, or desk, and support services at the second workplace which he or she regularly uses
- the employee performs similar tasks at each workplace
- the employee does not attend the workplace solely to undertake specific tasks such as attendance at a specially arranged meeting (see paragraph 3.12).

3.22 No single criterion is decisive in establishing whether a second location is a permanent workplace. It depends on the particular work pattern. But if, for example, someone regularly spends 40% of their time at a second location, it is unlikely, given the frequency of the visits, that each visit would be to perform a task of limited duration or for some other temporary purpose. In these circumstances the presumption would normally be that the second location is a permanent workplace.

### **Attendance for a temporary purpose**

- 3.23 An employee may attend a workplace regularly **and** perform duties there which are not of limited duration without that workplace becoming a permanent workplace provided the purpose of each visit is temporary.

#### **Example**

Fred is a safety officer. He regularly visits a particular factory every month to carry out a safety check. His responsibility for that factory has been a duty of his employment for a period already spanning twenty years (so it is not of limited duration). However, the tasks he performs on each visit are self-contained and the purpose of each visit, considered alone, is temporary. So relief is available for the full cost of his travel.

- 3.24 Where a visit is **self-contained** (that is, arranged for a particular reason rather than as part of a series of visits to the same workplace for the continuation of a particular task) it is likely to be for a temporary purpose.

#### **Example**

Gail is finance director of a large company based in Scunthorpe. Once a month her duties take her to the company's production unit in the South East. Her visits are to consider individual investment proposals but she takes the opportunity to discuss local welfare issues as a representative of senior management.

The purpose of the visits is not linked, each one is self-contained. So the production unit is not Gail's permanent workplace and she is entitled to relief for the full cost of her business travel.

#### **Example**

Gaston lives in Sidcup and has a permanent workplace in Broadstairs. He is a director of a company which has a number of regional offices.

He has to attend a director's meeting on the last Friday of each month in Farnham. Although the directors' meetings are regularly held in the same place, Farnham does not become a permanent workplace for Gaston because each visit is for a temporary purpose. So he is entitled to relief for the cost of his travel from home to Farnham.

#### **Example**

Gemma is employed as a school teacher in Oswestry which is a permanent workplace. Every fortnight she goes to an Education Authority meeting in Bridgnorth. She is entitled to relief for her travel from home to Bridgnorth because while she goes there regularly each visit is for a temporary purpose.

## Depots and similar bases

3.25 Where an employee regularly attends a workplace because:

- it is the base from which he or she works, **or**
- it is the place where he or she is routinely allocated tasks

attendance will **not** be regarded as being of a limited duration or for a temporary purpose.

### Example

Geoffrey is employed as a bus driver. He picks up his vehicle from a depot each day. Attendance at that depot at the start and finish of each shift may be brief but the depot is still his permanent workplace. There is no relief for the cost of Geoffrey's travel between home and the depot because it is ordinary commuting.

3.26 This does not mean that every place from which an employee works or at which he or she is allocated tasks is necessarily a permanent workplace.

A depot or similar workplace will be regarded as a permanent workplace if:

- the employee attends it regularly, **and**
- the main reason the employee goes there is because it is the place from which he or she works or at which he or she is routinely allocated tasks, **and**
- it is the main or only place from which the employee works or at which he or she is routinely allocated tasks.

### Example

Geraldine is employed as a management consultant. She has no permanent workplace. She spends most of her time working at the premises of various clients. At other times she 'hot-desks' at her employers' offices in various locations or works on the train while travelling between clients.

Geraldine can be allocated tasks while she is at any of these places. But this is not the reason she goes there. She goes to visit clients and carry out other tasks of limited duration. Even though she is sometimes allocated tasks at each of these places none of them is her permanent workplace.

3.27 However, where an employee regularly attends a workplace to be routinely allocated tasks while there, that workplace will be a permanent workplace – even if certain tasks are allocated to the employee elsewhere.

### Example

Gilbert is employed as an electrician. Each morning he visits a depot where he is given his job list for the day. His employer usually contacts him during the day to make changes to that job list. He is therefore, allocated tasks in many different places. However, Gilbert's depot is still the place he attends regularly where he is routinely allocated tasks and it is, therefore, his permanent workplace. So, travel between his home and the depot is ordinary commuting for which no relief is available.

**Example**

Gloria is employed as a plumber. She has no permanent workplace and can work on more than 100 sites in any one year. She receives instructions about where to work over the phone. She calls into her employer's premises most Wednesdays to collect piping and replacement tools. Calls of this type do not make the employer's premises into a depot or other permanent workplace.

**Employees who work at home**

3.28 Most employers provide all facilities necessary for work to be carried out at their business premises. So where employees work at home they usually do so because it is convenient rather than because the nature of the job actually requires them to carry out the duties of the employment there. In those cases, the employees' journeys between home and a permanent workplace do not qualify for relief. The journeys are 'ordinary commuting' (see paragraph 3.2) and the employee is not travelling 'in the performance of' their duties (see paragraph 2.5). Even in circumstances where we accept that it is necessary for the employee to work at home, any journey between home and a permanent workplace will be 'ordinary commuting' and not qualify for relief. Only exceptionally will journeys undertaken 'in the performance of' the duties qualify for relief (see paragraph 3.29).

**Example**

Gretel's duties are such that she often has to work late into the evenings. At such times, she has no access to her employer's premises (her permanent workplace) so she takes work home with her. It is still a matter of personal choice where the work is done (there is no objective requirement that it is completed at Gretel's home rather than elsewhere). So any travel to or from her home cannot be said to be in the performance of her duties and no relief is available for any costs.

3.29 If the duties of the employment require the employee to live in a particular location, **and** to do some of their work at home (for example, because the employer does not provide appropriate facilities in the location where the work has to be done) the employee will be entitled to relief for the expenses of travelling from home to other workplaces in the same employment.

**Example**

Gunther is a area sales manager who lives in Glasgow. He manages his company's sales team in Scotland. The company's nearest office is in Newcastle, and Gunther is therefore obliged to carry out all his administrative work at home, where he has set aside a room as an office. Gunther is entitled to relief for the expenses of travelling to the company's office in Newcastle, as well as for journeys within Scotland.

3.30 An employee is not entitled to relief for journeys between their home and, say, a holiday cottage or any other place attended for reasons other than work, even when home is a workplace. Such travel is private travel.

## Private travel

3.31 There is no relief for journeys which are private travel.

Private travel is a journey between:

- an employee's home and any other place he or she does not **have to** be for work purposes, or
- any two places an employee does not **have to** be for work purposes.

### Example

Guy is an administrator. He has a permanent workplace in Derby. At certain times of the year he has work to do over the weekend. Generally, he takes it with him to his holiday cottage in Cornwall where he goes with his family most weekends. Working in Cornwall does not make his holiday cottage a temporary workplace. His journey there is private travel and he is not entitled to relief for any cost.

3.32 There is no relief for travel that is made for private rather than for work purposes, even if it is to or from a workplace which, in other circumstances, would be a temporary workplace.

### Example

As part of her duties as a supervisor for a chain of supermarkets, Hannah has to visit different outlets. She gets tax relief for her travel. However, in addition Hannah is usually invited to the Christmas parties held at these outlets. She cannot get relief for this travel because it is not for work purposes.

## Duties defined by reference to a particular area

3.33 Some employees do not have a single site as a permanent workplace but they have a job where their duties are defined by reference to a particular geographical area. For these employees the geographical area is their permanent workplace. In each case the test will be whether the employee's duties are **defined** by reference to a particular geographical area.

### Example

Henry is a relief manager for a chain of regional tourist board offices. He shares responsibility for providing cover for all the offices. There is no regular pattern to his work. None of the individual offices is his permanent workplace but his duties are defined by reference to a particular geographical area so that area is his permanent workplace.

3.34 For employees who have an area treated as their permanent workplace, the whole of the geographical area is the workplace. So if they live outside that area the journey between home (or any other place they visit other than in the performance of the duties of that employment) and the edge of the geographical area is ordinary commuting with no relief available for the cost of that journey.

### Example

Hilary is employed as a gamekeeper on a large country estate. She does not work at any particular site; her duties are defined in terms of the estate as a whole. The estate as a whole is her permanent workplace. Hilary lives outside the estate. She is not entitled to relief for the cost of her travel between home and the boundaries of the estate – that travel is ordinary commuting.

**Example**

Hilton works on the London Underground network. He has no office and his duties are defined by reference to the area served by the network – so the whole of this geographical area is his permanent workplace. Hilton lives in Leeds. Each Monday he travels to London and stays in a hotel before returning home on Friday. He is entitled to relief for the full cost of the business journeys he makes within the geographical area served by the London Underground network. No relief is available for the cost of his journey between home and the edge of that geographical area or for the cost of his hotel accommodation in London. These costs are attributable to ordinary commuting.

3.35 An employee whose duties are defined by reference to a particular geographical area is entitled to relief for:

- the full cost of business travel made within the geographical area, **and**
- the full cost of business travel to other workplaces outside the area.

**Example**

Hope lives in Perth and is employed by a Scottish utility company. She has no office and her duties are defined by reference to the whole of the geographical area of Scotland which is her permanent workplace.

Sometimes Hope has to travel long distances within Scotland and occasionally she goes to London on business. This often involves meals while travelling and staying in hotels. Hope is entitled to relief for these travel costs in full.

3.36 Where an employee:

- has no single site that is their permanent workplace, **and**
- the duties of the employment are **defined** by reference to a geographical area, the occasional performance of duties outside that area will not prevent the area from being a permanent workplace.

**Example**

Horace is a police officer. He has a community liaison role which mainly involves visiting schools and other organisations within the area covered by his police authority. Although nominally attached to a particular station, Horace does not regularly attend that station and no particular site qualifies as his permanent workplace. However, his duties are defined by reference to the area covered by the police authority, so that geographical area is his permanent workplace.

Each year Horace visits universities across the country to recruit new officers. He visits each university for a temporary purpose. These visits do not change his permanent workplace which remains the geographical area covered by his police authority.

- 3.37 It is important to remember that an employee will have a geographical area as their permanent workplace only where **all** the following conditions are met:
- the employee has no single site that is their permanent workplace, **and**
  - the employee attends the area regularly, **and**
  - the employee has a job where the duties are **defined** by reference to a geographical area.

**Example**

Hortense is a social worker. Her duties are defined by reference to an area but she has an office which she regularly attends. Although much of her time is spent visiting clients within her area, her office is a permanent workplace. So her travel between home and the office is ordinary commuting for which she is not entitled to relief. Her travel to and from the clients is business travel.

**Example**

Hugh is employed by a firm of land agents. His contract of employment defines his duties by reference to the county of Lancashire. Hugh does not live in Lancashire. However, Hugh actually works in a different office each day of the week but in the same office on the same day each week. Hugh is not entitled to relief for any of his journeys from home to any of the offices including his travel from the edge of Lancashire to any of the offices he visits. That is because the rules for areas do not apply since Hugh has five permanent workplaces (see paragraph 3.21).

**When a workplace ceases to be a permanent workplace**

- 3.38 Sometimes a place may cease to be an employee's permanent workplace. This may happen, for example, because an employer moves to a place some distance away.

**Example**

Ida is employed full-time by a bank. She is sent to work for six months in a newly opened branch in another town. At the end of that period she accepts a promotion and stays at the new branch. At that point the new branch becomes Ida's permanent workplace.

Two years later when Ida is asked to cover for an absent colleague in her old branch for a couple of months, she is entitled to relief for any cost of travelling from home to the old branch because that is a temporary workplace.



### Passing work on the way to somewhere else

- 3.39 An employee may pass a permanent workplace on the way to or from a temporary workplace. If the employee stops and performs substantive duties at the permanent workplace then there are two journeys – ordinary commuting between home and the permanent workplace and a business journey between the permanent workplace and the temporary workplace. Relief will be available for the cost of the second of these journeys – but not the first.

Where the employee does not stop at the permanent workplace, or any stop is incidental to the business journey, all the business travel is as a single journey.

#### Example

Ike drives each day between his home in Southampton and his office in Winchester. One day he has to travel on business to Birmingham and back. He drives directly from home to Birmingham but stops off at his office to pick up some papers. His stop is incidental to his business journey. His business journey is from his home in Southampton to Birmingham and back. Relief is available for the cost of his journey from his home to Birmingham and back.

### Emergency call-out expenses

- 3.40 Employees sometimes have to travel to a permanent workplace unexpectedly or in an emergency. Where the cost of that journey would in normal circumstances not qualify for relief, it will not qualify for relief just because the journey was made in response to an emergency. It makes no difference if the journey takes place outside normal working hours or if the employee is returning to the workplace having completed their normal duties there.

#### Example

Isabel is required to be a keyholder for her permanent workplace. One night she is called out by the police responding to a burglar alarm. Isabel is not entitled to relief for her journey from home because it is ordinary commuting.

- 3.41 Exceptionally, where an employee is obliged to perform duties at home and while travelling to an emergency at a permanent workplace, the travel may be regarded as travel between two workplaces. In such circumstances, the cost of that travel will qualify for relief.

But to get relief, **all** of the following conditions must be satisfied:

- the employee has to give advice on handling the emergency before starting the journey, **and**
- responsibility for those aspects appropriate to the employee's duties is accepted from that time, **and**
- the employee has a continuing responsibility for the emergency whilst travelling to the workplace.

**Example**

Jack is employed as a vet. He operates a surgery from his home. He also works at an animal hospital some distance away. It is an objective requirement of his employment that he perform his duties at these two workplaces. One night he is required to attend an emergency at the hospital. He is phoned at home/surgery and immediately takes responsibility for the emergency and issues instructions on action to be taken. While travelling to the hospital he uses a hands-free mobile phone to continue to control the response to the emergency. The journey is between two workplaces in the performance of Jack's duties. Jack is entitled to relief for the cost of this journey to the hospital.

**Employee on stand-by**

3.42 Where an employee is on stand-by and can be called out at short notice he or she is still not entitled to relief for a journey which is ordinary commuting.

**Example**

Jane works fixed hours in a restaurant but can also be called in when there are staff shortages. When she is called in outside her normal hours she is not entitled to relief for travel from home to the restaurant because this is ordinary commuting.

- 4.3 The 'necessary' attendance rule
- 4.6 Changes to a workplace
- 4.10 Journeys treated as ordinary commuting or private travel

- 4.1 This chapter explains the safeguards written into the legislation to prevent relief being obtained in circumstances where it is not properly due.
- 4.2 There are three aspects to this:
- relief is available only where an employee **has to** attend at a workplace, in the performance of the duties of their employment, on a particular occasion, see paragraphs 4.3 to 4.5,
  - changing workplaces will not necessarily affect an employee's entitlement to relief for travel, see paragraphs 4.6 to 4.9, and
  - journeys which for practical purposes are ordinary commuting or private travel are treated as ordinary commuting or private travel, see paragraphs 4.10 to 4.13.

### The 'necessary' attendance rule

- 4.3 Relief is available only where travel is in the actual performance of the employee's duties or where it is necessary – in a real sense – for the employee to attend the particular place on that occasion to perform the duties of their employment. Usually the position will be straightforward and the requirements of the duties and the requirements of the employer will be identical. But it is important to keep in mind that the strict test for relief is that the travel is dictated by the duties of the employment.

Relief is available only where travel or attendance is an objective requirement of those duties. The personal convenience of the employee cannot be the factor that determines relief.

#### Example

John is employed as a technical writer. He normally works at his employer's head office. However, to enable him to look after an aunt who is unwell, John's employer tells him to work at his aunt's home for a few weeks. John is not entitled to relief for travel to or from his aunt's home. Although John carries out the duties of his employment there, his attendance is not an objective requirement of those duties.

- 4.4 It is important to remember that relief is available only where an employee **has to** attend a temporary workplace on a particular occasion in order to carry out the duties of the employment.

#### Example

Josephine works for a firm of estate agents which has branches across the West Midlands. Josephine lives in Wolverhampton and works at the branch in Coventry. She has a number of business phone calls to make which can be made at any time during the day. Josephine's employer tells her to stop off at the Birmingham branch on the way to her permanent workplace in Coventry in order to make some of the phone calls. Josephine is not entitled to relief for the cost of her journey from Wolverhampton to Birmingham. She and her employer cannot treat her ordinary commuting journey as a business journey by arranging the stop-off at the Birmingham branch. Her attendance at that branch is not an objective requirement of the duties of her employment. For the same reasons Josephine is not entitled to relief for the cost of her journey from Birmingham to Coventry, again because that journey is not an objective requirement of the duties of her employment.

- 4.5 It is recognised that there will be cases where the position is not clear cut. But we will look particularly closely at any case where an employee appears to have been sent by their employer to a temporary workplace just to get relief for travel expenses. Where that has happened we will consider the scope of taking action against employers to recover PAYE or, if appropriate, recovering tax, interest and penalties from the employee. Employers and employees should be aware that it is a serious offence to make a false statement or claim to us.

### **Changes to a workplace**

- 4.6 An employee's workplace may change without significantly affecting their journey to work. Where an employee moves offices from Cardiff to Edinburgh there is clearly a change of workplace affecting the employee's journey to work. But the position is different if an employee moves to a new office in the next door building. In these circumstances there is no significant effect on the employee's journey to work and under the tax rules there is no change of workplace.
- 4.7 Sometimes it may be difficult to decide whether a change of workplace affects an employee's entitlement to relief.

The basic principle is that a change in the location or boundaries of a workplace will give rise to a new workplace where the change has a significant effect on:

- the journey an employee has to make to get to work, and in particular
- the cost of that journey.

#### **Example**

Josh is employed on a construction site. His employer buys an adjacent plot to extend the site. Josh moves to work on the new plot but his journey to work (and in particular its cost) does not change significantly. That means there has been no change of workplace for tax purposes.

#### **Example**

Julie works for an employer who has several offices close to each other in London. Her employer rotates staff around the offices every 18 months. Julie works at one office and is then moved to another. She travels to work using the Underground and, although she now gets off ten stops further on than previously, her journey is largely unaltered and the price of her ticket does not change. Her workplace is not considered to have changed.

- 4.8 Where a change in location has a significant effect on:
- the journey an employee has to make to get to work, and in particular
  - the cost of the journey to work
- the new location is a new workplace even if it is close to the old workplace.

**Example**

Justin is employed on a major bridge construction project. To begin with he works on the North shore but he is then transferred to work on the South shore. Crossing the river is inconvenient (which is why a new bridge is needed), and it takes Justin longer to travel to the South shore and costs much more than it did to travel to the North shore. The North and South shores could be described as a single construction site and, as the crow flies, they are not far apart. However, Justin's move from the North to the South shore has had a significant effect on his journey to work (and, in particular, the cost of that journey) so his workplace has changed for tax purposes.

- 4.9 Generally, there should be little difficulty in applying this rule which may have the effect of denying relief for travel over longer distances in metropolitan areas than in rural areas. A change of location from Queensway to Bank could involve ten stops on the Central line of the London Underground at no extra cost. In these circumstances the modification rule comes into play. But ten stops to the North on a train from Preston gets into Scotland, and ten stops to the South could involve a journey beyond London, both at considerable extra cost. There would be no question of applying the modification rule in these circumstances.

**Example**

Karolyn lives near Ludlow. Each day she used to drive 25 miles north to her workplace in Shrewsbury. Karolyn's job is moved. Now each day she drives 25 miles south to her new workplace in Hereford.

The mode of transport is the same, the time taken is the same, but the journey is in an entirely different direction. The fact that the costs of travelling to and from work do not change is a chance consequence of where she lives. Had Karolyn lived elsewhere, the change in workplace would have had a significant effect on the cost of her commuting. On that basis, this would be regarded as a fundamental change to the place where her duties are carried out, rather than a modification. The new location is regarded as a new and quite separate workplace.

**Journeys treated as ordinary commuting or private travel**

- 4.10 Sometimes an employee may travel to a temporary workplace without that journey being significantly different from their ordinary commuting journey. Where that happens the tax rules deny relief in circumstances where, for practical purposes, a journey is very similar to the employee's ordinary commuting journey.

**Example**

Keith is a health and safety inspector who lives in Leicester. His office in Nottingham is 500 yards away from a bean processing plant. When he travels direct from home to the processing plant he is going to a temporary workplace but his journey is substantially the same as his ordinary commuting journey so he is not entitled to any relief.

**Example**

Kim lives in Pudsey. She travels five miles to work in Leeds where she is a reprographics manager. One day she is asked to go to Ilkley to stand in for a colleague who is sick and so travels an extra 12 miles. Her journey to Ilkley is clearly different from the journey she makes daily to Leeds so she is entitled to relief.

- 4.11 This is intended to be a common sense rule which applies where the journey to or from a temporary workplace is broadly the same journey as the employee's ordinary commuting journey. In particular, it will deny relief where employers or employees seek to turn an ordinary commuting journey into a business journey for the purposes of obtaining tax relief. The application of this rule will depend on the particular circumstances of any case but we will not normally seek to argue that a journey to or from a temporary workplace is substantially ordinary commuting where the extra distance involved is ten miles or more each way.
- 4.12 The same rule denies relief for journeys which are substantially private travel. This means journeys where the business purpose of a journey is merely incidental to some private purpose or the journey is made substantially for private purposes rather than for business purposes.

**Example**

Lew is harbour master at Larne. One day he travels to Belfast to visit his elderly mother but while there calls in at a colleague's office to deliver some new charts of the Irish Sea. His purpose in going to Belfast was private so he is denied relief because his journey was substantially private travel.

**Example**

Lucille works in a dry cleaners in Carlisle. Her employer sends her to the Darlington branch to repair a machine which has been damaging clothes. While there she visits her ex-husband to discuss maintenance arrangements. She spends a lot longer dealing with her private affairs than in fixing the machine. She is entitled to relief for her travel from home to Darlington because her primary purpose in going there was business. The discussion with her ex-husband, although time consuming, was merely incidental to her business travel.

**Example**

Luke lives in Banbury and is employed as a systems analyst at an office in Aylesbury. Luke has a three week holiday in Italy. At the end of the holiday he flies back from Venice to Heathrow. Instead of going home Luke drives direct from Heathrow to visit a client who needs to see him urgently in Warwick. The total cost of Luke's journey from Venice to Warwick is £1,500.

Luke is not entitled to relief for the cost of this journey. While he had to visit the client the reason for the greatest part of his journey, and its cost, was private – his return from holiday. His journey was, therefore, substantially private travel.

We will not use this rule to deny relief where comparatively small sums and short distances are involved.

**Example**

Mandy lives in Cannock and has a permanent workplace in West Bromwich. One weekend she goes to visit her grandmother in Lichfield. On Monday morning she drives from Lichfield direct to visit a client she has to see in Stafford.

Mandy is entitled to relief for her journey from Lichfield to Stafford. While she started out in Lichfield for personal reasons, and her journey is six miles longer than it would have been if she had travelled from her home in Cannock, the journey is substantially for business purposes. It is not, therefore, substantially private travel.

4.13 The rule which denies relief for journeys that are substantially ordinary commuting is relatively easy to apply because there will generally be an ordinary commuting journey as a point of comparison. That is not so for journeys where relief may not be available because a journey is substantially private travel. Exceptionally, the application of the 'substantially private travel' rule may involve enquiries about the purpose of a journey. We do not expect employers to make searching enquiries of their employees to determine whether tax relief is due. Enquiries which we need to make will be handled sensitively.



- 5.2 Relief only against earnings from same employment
- 5.3 Relief only for expenditure actually incurred
- 5.4 Subsistence
- 5.6 Other costs incurred while travelling on business
- 5.11 Choice of route
- 5.14 Scale of expenditure
- 5.16 Cost of journeys by car – employee's own vehicle
- 5.19 Company cars and vans

- 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.

- 6.1 Provision of business expenses
- 6.2 Employer arranged transport
- 6.3 Motoring expenses for use of own vehicle

**Provision of business expenses**

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.

**Employer arranged transport**

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, or
- 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.

**Motoring expenses for use of own vehicle**

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.

- 7.4 People carrying out all their duties abroad
- 7.6 People carrying out part of their duties abroad
- 7.8 People from abroad coming to work in the UK
- 7.10 Extra costs of foreign travel

- 7.1 There are special tax rules which give extra relief for travel by some employees who work abroad, or come from abroad to work in the UK. The full cost of foreign travel may qualify (in the same way as the full cost of domestic travel) for relief under the general expenses rules. Employees may instead be entitled to tax relief under the special rules which apply only to foreign travel but generally it will be sensible to consider first whether relief is available under the general expenses rules. 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.
- 7.2 This chapter contains the technical terms resident, ordinarily resident and domiciled. These are included in the glossary at the back of this guide but in very general terms:
- an employee is **resident** in the UK, if he or she is physically present here on a regular or frequent basis
  - an employee is **ordinarily resident** in the UK, if he or she is resident in the UK year after year
  - an employee is **domiciled** in the UK, if the UK is their permanent home.
- 7.3 There are different special rules for:
- employees resident and ordinarily resident in the UK and who carry out **all** the duties of their employment abroad (see paragraphs 7.4 to 7.5)
  - employees resident and ordinarily resident in the UK and who carry out **part** of the duties of their employment abroad (see paragraphs 7.6 to 7.7)
  - employees not domiciled in the UK who work in the UK (see paragraphs 7.8 to 7.9).

### **People carrying out all their duties abroad**

- 7.4 An employee who is resident and ordinarily resident in the UK and who carries out all their duties abroad is entitled to relief:
- **when the employee starts the job abroad** – for the full cost of travelling from anywhere in the UK to the place abroad where he or she will be working
  - **when the employee finishes the job abroad** – for the full cost of travelling back to anywhere in the UK
  - **while the employee is working abroad** – for the cost of accommodation or subsistence but only to the extent that this cost is included in the employee's earnings, for example, where the cost is borne or reimbursed by, or on behalf of, their employer
  - **if the employee has two jobs** – for the full cost of travelling from where he or she does one job to where he or she does the other.

**But** an employee is entitled to relief for these expenses only if:

- he or she is domiciled in the UK, or
- their employer is resident in the UK.

### Example

Olive is resident, ordinarily resident and domiciled in the UK. She travels from her home in Bristol to start a permanent job in Munich. Olive is not entitled to relief for the full cost of her journey to Munich under the general expenses rules because this journey is ordinary commuting. But she is entitled to relief for the cost of the journey under the special rules on foreign travel. Her employer provides her with free board and lodging in Munich.

This gives rise to a taxable benefit and Olive is not entitled to relief under the general expenses rules to set against that benefit. But she is entitled to relief set against the benefit under the special rules on foreign travel.

7.5 An employee who is resident and ordinarily resident in the UK and who carries out **all** their duties abroad is also entitled to relief if the duties:

- **can only be carried out abroad** – for the full cost of journeys to and from anywhere in the UK made during the time he or she works abroad
- **keep the employee abroad for 60 days or more** – for the full cost of a spouse or civil partner and children travelling from anywhere in the UK to visit or accompany the employee to the place where he or she is working and their return journey back to the UK. But the employee can only get relief for up to two outward journeys and two return journeys in each tax year for each member of their family.

**But** the employee can get relief for these expenses **only** if the cost is included in the employee's earnings, for example, where the cost is borne or reimbursed by, or on behalf of, their employer.

### Example

Oscar is resident, ordinarily resident and domiciled in the UK. He gets a job in Japan. While he is working in Japan he makes five visits to the UK. He buys a return ticket each time. His employer reimburses the cost of the first four visits but does not reimburse the cost of the fifth visit. Oscar is entitled to relief under the special rules for the full cost of the return journeys for the first four visits.

He is not entitled to relief for the fifth visit because his employer did not reimburse the cost of his ticket.

## People carrying out part of their duties abroad

7.6 An employee who is resident and ordinarily resident in the UK and carries out **part** of their duties abroad is entitled to relief if the duties:

- **can only be carried out abroad** – for the full cost of all journeys from anywhere in the UK to the place where the employee is working and return journeys to the UK
- **keep the employee abroad for 60 days or more** – for the full cost of a spouse or civil partner and children travelling from anywhere in the UK to visit or accompany the employee to the place where he or she is working, and their return journey back to the UK. But the employee can only get relief for up to two outward journeys and two return journeys in each tax year for each member of their family.

**But** an employee can get relief for these expenses **only** if these costs are included in the employee's earnings, for example, where the costs are borne or reimbursed by, or on behalf of, their employer.

### Example

Pam has to go to Paris to carry out some of the duties of her job. She goes for three weeks in January and for a further 15 weeks from the beginning of March. Pam's daughter goes to Paris to visit her on four separate occasions: one in January, two in March and one in May. Pam's employer reimburses the cost of all these journeys. The reimbursed cost gives rise to a taxable benefit. Pam is entitled to relief under the special rules for the full cost of her daughter's two journeys in March and the one journey in May. She is entitled to relief for the full cost of all three journeys because two fall in one tax year and the third falls in the next tax year. Pam is not entitled to relief for the cost of the journey in January because she was not away on business for 60 continuous days.

### Example

Patrick is resident and ordinarily resident in the UK. He is employed by a construction company on a large number of different sites in the course of a year both in the UK and abroad. He does not have a permanent workplace. He goes to work on a site in Germany for three months. While he is in Germany he stays in lodgings. Under the special rules Patrick would be entitled to relief for the full cost of his journey to Germany but not for the cost of his lodgings. Under the general expenses rules Patrick would be entitled to relief for the full cost of his journey and his lodgings while he is away because his lodgings are treated as part of the cost of his travel, see paragraph 5.4. Patrick will, therefore, be entitled to more relief under the general expenses rules than under the special rules on foreign travel.

- 7.7 An employee who is resident and ordinarily resident in the UK and has two jobs where part of the duties of at least one of them is carried out abroad, is entitled to relief for the full cost of travelling between them as long as one end of the journey is outside the UK.

**But** the employee is entitled to relief for this expense **only** if:

- he or she is domiciled in the UK, or
- their employer is resident in the UK.

### People from abroad coming to work in the UK

- 7.8 An employee is entitled to relief under these special rules only if he or she meets certain conditions.

To decide whether an employee is entitled to relief under the special rules it is necessary to find out on what date he or she came to the UK to work, work out which tax year that date falls into, and ask the following questions:

- was the employee resident in the UK in either of the two tax years which ended before the tax year in which that date falls?
- was the employee in the UK, for any reason, at any time in the two years ending on the day immediately before that date?

If the answer to **either** of these questions is 'no', then the employee **is** entitled to relief under the special rules.

If the answer to **both** of these questions is 'yes', then the employee **is not** entitled to relief under the special rules. However, he or she is still entitled to relief for the full cost of business journeys under the general expenses rules.

**Example**

Patsy is domiciled in Australia. She came to the UK on 3 February 2005 to work in Lincoln. She had been to the UK in 2004 for a holiday but has never been resident in the UK.

Patsy arrived to work in the UK in the tax year 2004–05. She had not been resident in the UK in either 2002–03 or 2003–04. This means she is entitled to relief under the special rules.

7.9 An employee who:

- is not domiciled in the UK but who works in the UK, and
- meets the necessary conditions (see paragraph 7.8)

is entitled to relief under the special rules for five years from the date he or she came to the UK:

- for the full cost of journeys from the place where the employee usually lives to the place where he or she is working in the UK and back home after carrying out those duties – there is no limit to the number of journeys for which an employee can get relief
- if the employee's work in the UK keeps him or her in this country for 60 days or more – for the cost of a spouse or civil partner and children travelling from their home to visit or accompany the employee to the place where he or she is working in the UK, and their return journey. But the employee can only get relief for up to two outward journeys and two return journeys in each tax year for each member of their family.

**But** the employee is entitled to relief for these expenses **only** if the costs are included in the employee's earnings, for example, where the costs are borne or reimbursed by, or on behalf of, their employer.

**Example**

Paul is domiciled in Canada but works in the UK and meets the conditions in paragraph 7.8 above. He came to work in the UK in January 2001. In December 2003 he travelled back to Canada to visit his parents. His employer paid for his ticket and this gave rise to a taxable benefit, but Paul was entitled to relief under the special rules to set against that benefit.

In March 2006 Paul travelled back to Canada again. Once again his employer paid for his ticket and this gave rise to a taxable benefit. But this time Paul was not entitled to relief under the special rules on foreign travel because his trip to Canada took place more than five years after the date on which he arrived in the UK.

### **Extra costs of foreign travel**

7.10 Where an employee is entitled to relief under the special rules on foreign travel for the full cost of a journey, he or she is also entitled to relief for:

- the cost of any inoculations required for that journey, **and**
- the cost of any visas required for that journey.

7.11 An employee who goes abroad to work can also get relief for medical treatment provided abroad, or insurance against the cost of medical treatment provided abroad, where these expenses are borne or reimbursed by, or on behalf of, their employer.

- 8.2 Incidental overnight expenses
- 8.7 Training courses provided by employers
- 8.9 Removal expenses
- 8.11 Directors who are acting on behalf of a professional practice
- 8.14 Directors who are not paid
- 8.15 Disruption to public transport caused by strikes
- 8.16 Late night travel home
- 8.19 Car sharing breakdown
- 8.22 Disabled people
- 8.23 Expenses of a spouse accompanying an employee on a business trip
- 8.24 Car parking
- 8.25 Offshore oil and gas workers
- 8.27 Working rule agreements



- 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>  |
| <b>Total</b> | <b>14.00</b> |

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        |

- 9.1 General rule
- 9.3 Exceptions to the general rule
- 9.4 What has to be reported
- 9.6 Round sum allowances
- 9.8 Reimbursement of travel expenses
- 9.11 Provision of travel facilities
- 9.13 Payments to employees for using their own vehicle for work
- 9.14 Table of reporting requirements



**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.

- 10.1 Dispensations
- 10.3 Getting a dispensation
- 10.6 What a dispensation can cover
- 10.10 PAYE Settlement Agreements (PSAs)

**Dispensations**

- 10.1 A dispensation can save employers and employees time and effort reporting details of travel expenses and benefits on which no tax is ultimately payable.
- 10.2 A dispensation is, in effect, a notice of nil liability. A dispensation should **never** cover an item for which there would not be a matching Income Tax deduction. Where a dispensation is in force, it applies both for tax and National Insurance purposes.

It means that the employer:

- does not have to report to us expenses/benefits that are covered by the dispensation
- does not have to provide employees with details of the expenses/benefits they receive which are covered by the dispensation (although it may reduce queries if the employer tells employees about dispensations which apply to them)
- does not have to include, for Class 1 NICs purposes, the expenses payments in the employees' gross pay
- does not have to pay Class 1A NICs on any benefits included in the dispensation.

If employers are in doubt at any time, they should ask their PAYE office for advice.

**Getting a dispensation**

- 10.3 Before a dispensation can be issued the officer of HMRC has to know the kind of expenses paid, how they are identified in the employer's accounting system and who is authorised to approve reimbursement.

The officer of HMRC will have to be satisfied that:

- no tax is payable in respect of the expenses payments and benefits covered by the dispensation, and
- the employer operates control systems adequate to ensure that expenses payments and benefits remain within the terms of the dispensation.

- 10.4 When the officer of HMRC agrees a dispensation, he or she will record:
- the nature and scale of the expenses payments and benefits it covers
  - the circumstances in which they will be covered by the dispensation, and
  - the employees covered (or not covered) by the dispensation.

- 10.5 Further information on applying for a dispensation, and an application form P11D(X), is available at [www.hmrc.gov.uk/forms/p11dx.pdf](http://www.hmrc.gov.uk/forms/p11dx.pdf)

**What a dispensation can cover**

- 10.6 A dispensation can cover any travel expenses and benefits for which there is a matching tax deduction. The officer of HMRC has to be satisfied that travel expenses and benefits covered by a dispensation are calculated and paid on the basis that they are clearly intended to do no more than reimburse employees for expenses actually incurred in making genuine business journeys.

- 10.7 The sort of items which are commonly included in dispensations are:
- air and rail tickets provided for business travel
  - payments for subsistence while on business travel
  - hotel bills paid directly by the employer.
- 10.8 A dispensation cannot be given for fuel, a company car or business mileage payments for travel in employees own vehicles.
- 10.9 An employer applying for a dispensation will need to be able to show that travel expenses payments (less any amount made good by the employee) relate only to genuine business journeys for which full tax relief is due (see paragraphs 2.2 and 2.5 to 2.7), and do not exceed the cost of that travel.

The arrangements for recording and paying expenses would, therefore, normally need to show:

- the purpose of the business journey
- details of each business journey, and
- the amount paid or reimbursed for the journey.

The employer will also need to show that they will continue to monitor the arrangements for recording and paying expenses after the dispensation is granted.

#### **PAYE Settlement Agreements (PSAs)**

- 10.10 Under the terms of a PSA an employer can agree with the Inspector to settle in a single annual payment the Income Tax liability on certain expenses and benefits provided to employees. Payments which are covered by a PSA do not have to be reported on form P11D. Nor does the employer have to provide details to the employee (although it may reduce queries if the employer tells employees about items which apply to them).
- 10.11 In order to be included in a PSA, expenses and benefits have to be of a minor or irregular nature. So expenses of regular business travel would not generally be within the scope of a PSA, unless for relatively small amounts. A round sum allowance for business travel is also outside the scope of a PSA. But a PSA can be used to cover expenses payments made to employees who make occasional business journeys, even if the amounts involved are substantial.
- 10.12 Further information about PSAs is available at [www.hmrc.gov.uk/employers](http://www.hmrc.gov.uk/employers)

- 11.1 General
- 11.2 Record keeping
- 11.3 Employer compliance reviews
- 11.10 Providing information to HMRC and employees
- 11.13 Employers and dispensations

**General**

11.1 Employers are expected to operate systems which enable them to identify the travel expenses they pay to or for their employees. Employers who have paid travel expenses to their employees without accounting for PAYE and NICs must be able to show that they have treated those payments correctly. Where they cannot do so we will normally ask them to account for PAYE and NICs. Employers must also be able to show that forms P11D have been completed correctly and that they have fully complied with the terms of any dispensation.

**Record keeping**

11.2 Records relating to forms P11D, travel expenses or benefits provided to employees may be kept on paper, or electronically.

They must normally be retained:

- in their original form (for example, where an employee gives the employer a receipt to back up a signed expenses form, both items must be kept even if the information is transferred onto a computer or microfiche), and
- for at least three years after the end of the tax year to which they apply.

The records must be made available to authorised officers of HMRC on request.

**Employer compliance reviews**

11.3 From time to time we review employers' records to ensure that employers have accounted for the right amount of PAYE and NICs at the right time, and that they have correctly completed forms P11D. We may select an employer for a compliance review for a variety of reasons. A review does not necessarily mean that an employer is thought to have treated expense payments incorrectly or made incorrect returns on forms P11D.

11.4 Leaflets *CC/FS1 General Information* and *CC/FS2 Requests for information and documents* tell employers how we carry out our reviews. In particular, they explain employers' rights and promise that they will be treated fairly and courteously. They also promise that we will provide help where appropriate. Copies of the leaflets can be obtained from any HM Revenue & Customs office or go to **[www.hmrc.gov.uk](http://www.hmrc.gov.uk)**

11.5 During the review we will check that an employer has:

- properly deducted and accounted for PAYE and NICs
- completed forms P11D correctly
- met the terms of any dispensation in place for travel expenses and benefits, and
- correctly calculated and accounted for the tax due under any PSA.



11.6 We will want to establish some basic facts such as:

- the nature of the business
- the size of the workforce
- the method of recording expense payments to employees, and
- the systems used by the employer to ensure that PAYE and NICs are accounted for, at the right time.

11.7 Where we find nothing wrong we will tell the employer and say that the review is finished. If we think there is something wrong we will inform the employer, ask for an explanation and suggest how it may be put right for the future.

Where PAYE and NICs have been lost as a result of a mistake, we will provide a computation of the amount thought to be owing, and any interest and penalties which will be charged. Leaflet CC/FS6 *What happens when we find something wrong* explains how we calculate penalties where there has been a failure to operate PAYE correctly.

11.8 Our general approach is to:

- seek a settlement with the employer in respect of PAYE and NICs which should have been accounted for, and
- invite the employer to settle on a voluntary basis any tax recoverable from employees (other than directors) in respect of P11D items incorrectly reported.

11.9 Where an employer can satisfy us that:

- reasonable care was taken, and
- any underpayment of PAYE arose as a result of an error made in good faith we may direct that the underpayment should be recovered from the employee.

Where an employer has operated proper controls and has acted in good faith, we will not seek to recover from the employer PAYE which has been lost as a result of inaccurate information provided by an employee.

### **Providing information to HMRC and employees**

11.10 There are also penalties for failing to send forms P11D to us and for failing to pass the information to employees.

Where there is such a failure, we will:

- remind the employer of the obligation
- encourage compliance, and
- pursue penalties where the amount of tax is significant or the employer persists in failing to comply.

11.11 The employer will be asked to explain what went wrong before any penalty action is considered. We will not normally seek penalties from employers for errors such as the incorrect calculation of figures entered on forms P11D provided the employer has acted in good faith and the errors are few in number.

11.12 Where the employer has made an incorrect return of expenses and benefits on form P11D because an employee has provided incorrect information, we will not invite the employer to settle the liabilities if it is clear that adequate controls were in place. We will instead seek the tax from the individual employee. But if there are a large number of employee failures we may take the view that the employers' controls are inadequate.

### **Employers and dispensations**

11.13 Where we discover that reimbursed travel expenses or benefits were:

- not covered by a dispensation, and
- PAYE tax and NICs were not accounted for or the travel expenses were not included on forms P11D where appropriate,

the employer will normally be regarded as having failed to correctly operate PAYE and/or correctly complete forms P11D – with the result that PAYE tax, NICs, interest and penalties may be sought, as appropriate, from the employer.

11.14 Where we find out that tax may be payable on items which were previously covered by a dispensation, for instance if the basis on which the dispensation was given has changed, we may revoke the dispensation by giving notice to the employer. Other than in exceptional circumstances, the dispensation will be revoked from the date of the notice. Where it is revoked from the date of the notice we will not take any action against employers or employees in respect of payments made under the terms of the dispensation before that date.

11.15 From time to time employees may be found to have overstated their expense claims. In order to correct these errors, employers should have arrangements in place to recover from their employees any sums overpaid or alternatively, to arrange payment of tax and NICs in respect of those overpayments. If adequate arrangements are not in place, we may need to revise the terms of any dispensation in order to reduce the risk of similar failures in the future.

- 12.1 Record keeping
- 12.7 Employees who get Tax Returns
- 12.8 Employees who do not get Tax Returns
- 12.9 Obtaining tax relief for expenses
- 12.11 Employees who use their own cars for business travel

**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](http://www.hmrc.gov.uk/mileage/employee-factsheet.htm)



| Type of payment   | Reporting for tax  | Reporting for NICs  |
|---|--|---|
| <b>A</b> Employer reimburses or otherwise meets up to the full cost of business travel and such payments and/or provision is subject to a dispensation.   | Nothing to report.   | Nothing to report.  |
| <b>B</b> As in <b>A</b> above but <b>not</b> subject to a dispensation.   | Amount paid or provided to the employee (including VAT) must be reported on P11D and copied to employees.  | Nothing to report.  |
| <b>C</b> Employer makes payment (or provision for travel) and the payments (or the value of any provision for travel) are more than the full cost of the business travel. PSA in place.                                       | Nothing to report.   | If payment exceeds the full cost of travel, NICs will be due on the excess and on any tax payable by the employer under the PSA. The NICs must be accounted for by 19 October after the end of the tax year (same as the PSA).                      |
| <b>D</b> As in <b>C</b> above but no PSA in place.  | Everything paid or provided to the employee, and any amount repaid (made good) by the employee, must be reported on P11D and copied to employees.<br><br>Where payment exceeds full cost of travel PAYE should be operated on the full amount. | If payment exceeds the full cost of travel, Class 1 NICs will be due on the excess and should be accounted for in the pay period. Any Class 1A NICs due in respect of the value of any provision for travel should be accounted for on the P11D(b). |
| <b>E</b> Employer pays a round sum or a scale rate for business travel which an Inspector agrees is clearly designed to do no more than meet expenses actually incurred. The payment is not covered by a dispensation or PSA. | Full amount paid to the employee must be reported on P11D and copied to employees.   | Nothing to report.  |
| <b>F</b> Employer provides a travel voucher <i>for example an air or rail ticket</i> and this provision is not covered by a dispensation or PSA.  | The cost of providing the voucher, including VAT must be reported on P11D or P9D and copied to employees.  | If the voucher is for business travel there will be nothing to report. If the vouchers are for private use Class 1 NICs will be due on the cost of providing the voucher and should be accounted for in the pay period.                             |



| Type of payment   | Reporting for tax  | Reporting for NICs   |
|---|--|--|
| <b>G</b> Employer pays direct for an employee's travel costs, for example settles the employee's hotel bill – and this provision is not covered by a dispensation or PSA. | Amount paid, including VAT, must be reported on P11D and copied to employees.                                      | Any Class 1A NICs due in respect of the value of any provision for travel should be accounted for on the P11D(b).    |
| <b>H</b> Employer pays directly for full travel costs incurred when employee is attending a work related training course.   | Nothing to report.   | Nothing to report.   |
| <b>I</b> Employer provides overnight accommodation at conference centre for employees attending conference.   | The marginal cost to the employer of providing the accommodation must be reported on P11D and copied to employees. | Any Class 1A NICs due in respect of the value of the overnight accommodation should be accounted for on the P11D(b). |
| <b>J</b> Employer makes mileage expenses payments for business travel in employee's own vehicle.  | See paragraph 9.13.  | See paragraph 6.3.   |

|                                 |  |
|---------------------------------|--|
| HMRC6                           | <i>Residence, Domicile and the Remittance Basis</i>  |
| CC/FS6                          | <i>Compliance checks – What happens when we find something wrong</i>                         |
| 480                             | <i>Expenses and benefits<br/>A tax guide</i>   |
| CWG2                            | <i>Employer Further Guide to PAYE and NICs</i>   |
| CWG5                            | <i>Class 1A National Insurance contributions on benefits in kind – A guide for employers</i> |
| SA/BK4                          | <i>Self Assessment – a general guide to keeping records</i>                                  |
| <i>P11D Guide</i>               |  |
| <i>Employment Income Manual</i> |  |
| <i>Employer Helpbooks</i>       |  |

### **How to obtain our leaflets**

Copies of our leaflets are available:

- online at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)
- by completing the online order form at [www.hmrc.gov.uk/contactus/staustellform.htm](http://www.hmrc.gov.uk/contactus/staustellform.htm)
- by fax on **0845 9 000 604**
- by phone on **0845 9 000 404** everyday from 8.00am to 8.00pm.  
Textphone is available for people with hearing or speech difficulties
- from HMRC Enquiry Centres. You will find the address in the Phone Book under 'HM Revenue & Customs' and at [www.hmrc.gov.uk/local](http://www.hmrc.gov.uk/local)

Most of our leaflets are available in Welsh. If you would like a Welsh leaflet, you can get copies from HMRC Enquiry Centres in Wales, or from the Welsh Call Centre on **0845 302 1489**.

## Glossary

This glossary explains in broad terms, words and phrases used in this guide. For more detailed and comprehensive explanations see the legislation or HMRC publications referred to below.

*Approved Mileage Allowance Payments* – introduced from 6 April 2002. This is the maximum amount per mile that can be paid tax and NICs-free, to someone who uses their own vehicle for work.

*Board and lodging* – this is a technical term for food and accommodation used by an employee working abroad. It is not used for any other purpose in this guide.

*Business journey* – any journey:

- necessarily undertaken in the performance of the employee's duties, or
- to or from a place the employee **has to** attend in the performance of the duties of the employment, and excluding ordinary commuting.

*Cash equivalent* – the measure of the taxable amount where employees are provided with benefits in kind.

*Company car* – a car made available (without the transfer of property in it) to:

- an employee, or
- a member of their family or household

by reason of the employee's employment, which is available for private use. See paragraph 5.19.

*Credit token* – a credit card or other token which gives rise to a charge to tax under Section 94 ITEPA 2003.

*Dispensation* – a notice given to an employer by an Inspector of Taxes that HMRC is satisfied that no Income Tax is payable in respect of certain specified expenses payments and benefits. See paragraphs 10.1 to 10.9.

*Domicile* – broadly speaking, this is the country where, in law, a person is regarded as having their permanent home. See leaflet IR20 *Residents and non-residents – Liability to tax in the United Kingdom*.

*Duties* – the tasks an employee has to carry out in doing their job. The duties of a particular job are determined by the objective requirements of the job.

*Earnings* – the income of an individual who holds an office or employment. They include all salaries, fees, wages, profits and incidental benefits of any kind. See Section 62 ITEPA 2003.

*Employment income* – the part of the Taxes Act under which tax is charged on income from offices or employments. See Section 6(1) ITEPA 2003.

*Fuel benefit charge* – the measure of the taxable benefit where an employee is provided with fuel for a company car. See paragraph 5.19.

*Full cost* – the full cost of a business journey is the total expense incurred when an employee makes a business journey. It includes the cost of necessary subsistence but does not include incidental overnight expenses.

*Incidental overnight expenses* – personal expenses which are incidental to an overnight stay on business or on work related training. See paragraphs 8.2 to 8.6.

*Ordinarily resident* – an employee is ordinarily resident in a country if he or she is resident there year after year. See leaflet IR20 *Residents and non-residents*.

*Ordinary commuting* – travel between an employee's permanent workplace and home, or any other place where the employee's attendance is not necessary for the performance of the duties of that employment. See paragraphs 3.2 to 3.27.

*P11D* – a form employers complete giving details of benefits in kind and expenses payments made to employees who, taking into account the value of those benefits, earn £8,500 or more per year. (There is a shorter form, P9D, for employees who earn less than £8,500 per year.)

*P11D(X)* – an application form for a dispensation.

*P45* – a form completed by employers when an employee ceases to work for them showing details of the amount paid and tax deducted under PAYE in the tax year. The employee receives a copy of these details on form P45(1A).

*P60* – a form completed by employers at the end of the tax year showing details of the amount paid and tax deducted under PAYE.

*P87* – a form to help people, who do not get a tax return, to claim tax relief for job expenses. Employees can ask for this, or HMRC office may issue it (with form P810) to people who have a deduction for expenses in their PAYE tax code.

*PSAs* – an agreement between an employer and HMRC under which the employer settles in a single annual payment the Income Tax liability on minor or irregular expenses and benefits provided to employees. See paragraphs 10.10 to 10.12.

*Permanent workplace* – any place which an employee regularly attends in the performance of the duties of the office or employment but which is not a temporary workplace. See paragraph 3.9.

*Private travel* – travel between an employee's home and any place that is not a workplace or between any two places that are not workplaces. See paragraph 3.31.

*Private use* – use of a car or van for journeys other than business journeys.

*Resident* – an employee must normally be physically present in a country to be resident there. An employee will always be resident in the UK if he or she is here for 183 days or more in the relevant tax year. See leaflet IR20 *Residents and non-residents*.

*Round sum allowance* – a payment made to employees who make business journeys where the amount paid is a flat rate rather than a reimbursement of actual expenses incurred or a scale rate payment.

*Scale rate* – an allowance paid to employees who make business journeys where the allowance is based on, for example, a fixed amount for each mile travelled or a fixed amount for each night spent away on business.

*Subsistence* – meals or accommodation that are necessary as a result of making a business journey. Subsistence does not include incidental overnight expenses. See paragraphs 5.4 to 5.5.

*Tax year* – the tax year runs from 6 April in one year to 5 April in the next.

*Temporary workplace* – a place which an employee attends in the performance of the duties of their employment and for the purpose of performing a task of limited duration or for some other temporary purpose. See paragraph 3.11.

*Vouchers* – all vouchers which give rise to a tax charge under Sections 81 and 87 ITEPA 2003. Vouchers include travel tickets.

*Workplace* – a place where an employee's attendance is necessary in the performance of the duties of their employment. See paragraph 3.2.

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