

## Rules For Employees Travel And Subsistence Expenses

HM Revenue & Customs having consulted extensively with employers came up with a package of new travel and subsistence rules which aim to be simpler and fairer than the previous ones.

**These rules are no longer new** having come into effect from **6th April 1998**. **These** rules

- Govern the amount of travel and subsistence expenses that may be claimed as tax deductible by employees.
- Have important implications for all employers who pay travelling 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.
- Make the tax treatment of travelling expenses much clearer than before and in effect they mean that no employee will be entitled to less tax relief under the new rules compared to the preceding ones.

Basically the new rules give relief for two types of business journey, i.e.

- Journeys which employees have to make in performance of their duties and
- Journeys which employees make to or from a place they have to attend in order to perform their duties, but which are not journeys which represent ordinary commuting. To clarify this, journeys between an employee's home and a permanent work place are not business journeys, these journeys are ordinary commuting and the cost of these have to be borne by the employee.

The first type of tax relief available is for journeys between two work places and for business journeys made by employees for whom travel is an integral part of their duties. This relief broadly covers the same journeys as the current rules.

The relief available from **6th April 1998** for many business journeys between an employee's home and work places which are attended on an irregular basis. The availability of this form of relief was previously denied under the old rules.

### Permanent Work Place

The term permanent work place now crops up in the new legislation and is defined as a place which the employee regularly attends. It is used to order to fix one end of the journey for ordinary commuting. Thus, travel between your home and the place you regularly attend is treated as private expenditure and therefore no tax relief would be due.

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## Attendance on a regular Basis

There are complex rules to determine whether attendance is on a regular basis and in many situations an employee may have more than one work place. To enlarge upon this, if an employee leaves his permanent work place to work at another work place, no tax relief would be given for the commuting costs between his home and the second work place if he expects to spend more than **40%** of his time there for more than **24 months**. This area is quite complicated and even in HM Revenue & Customs' own literature appears somewhat ambiguous. If you therefore consider that any of your employees fall into these circumstances then you should seek the advice of an accountant or tax specialist. **We can help you with this.**

However, for many employees the position is more straightforward. In effect, no relief is given for the commuting costs of the journeys an employee makes most days to and from their normal work place, but most other travel costs will be allowed.

## Site Based Employees

The position for site based employees has become clearer under the new rules. There are some employees who have nowhere that they attend regularly for more than **24 months**. Many site based employees are in this position. They do not have a permanent work place and thus they do not have an ordinary commuting journey. From **6 April 1998**, they have been entitled to full relief on all journeys made to and from the site.

## Subsistence

The tax treatment of subsistence payments has also been made clearer under these rules. Subsistence includes accommodation, food and drinks costs while an employee is away from the permanent work place. Now the tax treatment of the subsistence expenditure follows that of the travelling expenses as it is specifically treated as a product of business travel and is therefore treated as part of the costs of that travel.

While these rules determine the tax relief available for employee travel and subsistence they do not determine the level of travelling expenses that you have to pay as employers. As no employee is likely to be worse off under the new rules you may decide to retain your existing payments for reimbursement of travelling and subsistence costs. If you decide to retain your current payments many of your employees may be able to claim a higher expense deduction for tax purposes than the amounts you currently reimburse. They would make these claims through their own tax return if they receive one or by writing to HM Revenue & Customs.

**We at Handley Evans are able to give assistance in the completion of these claims for the individuals concerned and we expect there to be many of these.**

## Dispensation

To simplify matters greatly you may decide to apply for a dispensation. This is an agreement between you as the employer and HM Revenue & Customs whereby the expenses an employer pays to employees are matched by the tax relief available i.e. tax free. Where a dispensation is in place the employer does not have to report the expenses to HM Revenue & Customs on forms P11D each year end.

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If you currently have a dispensation and you do not change the payments made, the existing dispensation remains valid. However, if you decide to change the payments made, a new dispensation needs to be applied for and HM Revenue & Customs now have a new form available for this purpose.

If you currently do not have a dispensation this may now be an appropriate time to consider one as it can save a lot of time and effort on the part of the employer.

## Directors

Do not forget that directors are also employees of the company and thus these rules apply to directors as well. When reimbursing expenses payment should be made directly to the director. **The company must not pay off his/her own credit card** even if the amounts on it are genuine expenses as a National Insurance liability can thus be generated.

## Summary

To summarise, the general rule as from the **6th April 1998**, all employees became entitled to tax relief on the full cost of any travelling in the performance of their duties (excluding their everyday costs of the journey they make from their home to their permanent work place) and, of course, excluding any private travel.

There are of course always exceptions to the general rules and a few problem areas can be foreseen, however if any of you as employers or directors feel that the new rules may apply to you it, is well worth seeking professional advice as it may well be money in employees pockets.

To find out how Handley Evans & Co can help you [contact us](#)

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