



490

Employee travel

A tax and NICs guide for employers

Contents

	page
Introduction	2
Whether or not travel qualifies for relief	6
Ordinary commuting and private travel	10
Safeguards against abuse	26
The amount of relief	32
National Insurance contributions	37
Special tax rules on foreign travel	41
Tax rules on other types of travel and related expenses	47
Employers' reporting requirements	55
Dispensations and PSAs	59
Employer compliance	62
Employees' responsibilities	66
Appendix A - Table of reporting requirements	70
Appendix B - List of HMRC publications	73
Glossary	74
Index	77

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.

- 1.1 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.

- 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.

- 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

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.

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.

