

## CRANE & JOHNSTON

CHARTERED ACCOUNTANTS  
REGISTERED AUDITORS

### Travel and subsistence

This guide looks at employee benefits relating to travel and how they relate to the taxes that a business is liable for

For many businesses, regular employee travel is an essential part of their operations. Whether it is generating new customers, servicing existing ones or attending conferences and other events, travelling often generates a number of ad hoc expenditures. If a company pays for these expenditures on behalf of their employees, they will have tax, national insurance and reporting obligations.

#### What counts as travel and subsistence?

Not all costs incurred while travelling will count as travel and subsistence expenses for tax purposes. It is important to know what constitutes a taxable expense and what doesn't before your employees leave.

Travel refers to:

- providing travel to your employees
- reimbursing employees for the money they spend on travel
- accommodation.

Subsistence refers to:

- meals
- other costs related to travelling such as business calls, parking charges and tolls.

With regards to public transport, costs include:

- season tickets for employees
- reimbursement for season tickets bought by employees.



Business UPDATE

#### Exemptions

There are a number of situations which do not need to be reported. The first important exemption is that if the employee in question is paid at a rate of less than £8,500 a year, the costs of their travel do not need to be declared.

There is no legal requirement to count costs that are part of your employees' regular duties (such as service engineers or delivery personnel), or those that cover their journey to a temporary workplace.

When it comes to private travel, any costs associated with the travel of employees paid less than £8,500 a year do not need to be reported.

The following private travel costs for employees and directors are also exempt:

- a works bus service
- occasional, non-regular taxi journeys
- temporary taxi replacements of unavailable car-sharing systems
- bicycle or cycle safety costs
- travelling to work when public transport is disrupted by industrial action
- in certain circumstances travel for employees with a disability.

For public transport costs, you do not have to report to HMRC if you are contributing to a subsidised or free public bus transport for employees to travel to and from work.



# Travel and subsistence

## Reporting and paying

When it comes to calculating the costs of non-exempt travel and subsistence, and whether or not you need to deduct or pay tax or national insurance, the following rules apply.

### Business travel

It is possible to apply for dispensation for your business travel expenses which means that you do not have to include them in your end of year reports. You can apply for dispensation at any time, and while it will usually take effect from the issue date, it can be backdated to the start of the current tax year.

If you do not have dispensation, report travel and subsistence expenses using the P9D form for those earning less than £8,500 a year, and the P11D form for directors and those earning more than £8,500 a year.

It is worth noting that any reimbursement to employees that goes over the necessary cost of travel will be treated as earnings. This means that:

- it should be added to your employee's other earnings
- it needs to be put through payroll to deduct any tax and national insurance that is owed.

### Private travel

Non-business travel, including the journey to and from work, is considered private travel and is treated differently in terms of tax and other deductions.

If you arrange the transport on behalf of your workers and pay for the entirety of it, the reporting is much the same as for business travel. The costs of employees earning over £8,500 and directors will need to be reported on a P11D form and Class 1A national insurance to the value of the benefit be paid.

If, on the other hand, the employee arranges their own travel and subsistence and you reimburse them for it, the money counts as earnings. This means that these costs need to be added to your employee's other earnings, and PAYE and Class 1 national insurance deducted through payroll.

### Public transport

As long as the public transport costs are not exempted costs, they too will have to be reported to HMRC and have any tax and national insurance deductions made. If the employee in question earns less than £8,500 annually, the costs need to be reported using a P9D form with the cost being added to earnings and all the relevant deductions being made. For higher earning employees, the P11D form should be used.

The cost of season tickets, whether you or your employees are paying the initial cost, you need to add this to the worker's other earnings and put them through the payroll system.

Contact us if you need any assistance in working out your tax obligations.

## Future changes

The travel and subsistence benefits system is likely to undergo changes in the future as part of the Office of Tax Simplification's (OTS) ongoing look into how the employee benefits and expenses system can be improved.

In the 2014 Autumn Statement, the government confirmed that it will be accepting a number of the OTS's recommendations.

The OTS identified a number of problems with the way that travel and subsistence expenses are taxed, and launched a comprehensive review on 31 July 2014. The aim of the review is to ensure that these kinds of benefits accurately reflect modern working patterns.

3 main complexities of the current system that often lead to confusion have been identified:

- The meaning of 'workplace' and 'permanent workplace' are often hard to fathom for employees who often need to attend more than one work location
- The '24 month rule' becomes hard to decipher when an employee is given subsequent temporary assignments in different locations that together add up to over 24 months
- The current definition of 'homeworkers' potentially covers both employees who are based at home (with no office base) and those who are office-based but are permitted to work from home.

The second stage of the review began in the winter of 2014 when a working group was set up to produce a new set of principles upon which to base a new system. This stage will be reported at the 2015 Budget.

Contact us to discuss travel and subsistence.