



Travel and subsistence

The system of employee benefits and taxes for those who travel for the purposes of work is undergoing change.

Every day the roads and railways of this country are filled with employees travelling as part of their jobs, and incurring a host of costs and expenses along the way. The system of benefits and taxation that has built up around this essential economic activity is grouped together under the name 'travel and subsistence'.

To save individual employees from bearing the costs that can come from bringing in new customers, servicing existing ones or attending events, courses and conferences, employers will often pay for them. This in turn will have implications for a company's tax, national insurance and reporting requirements.

The basics

When it comes to travel and subsistence not all costs are equal and not all will count as expenses for tax purposes.

Travel expenses are those that involve providing travel or accommodation to workers or reimbursing them for these things at a later date.

Subsistence expenses are those relating to meals as well as other costs such as parking charges.

Public transport costs are also included if they

are season tickets bought for employees or reimbursed season ticket costs.

Exemptions

There are certain kinds of travel costs that are exempt and therefore do not need to be reported, such as:

- non-regular taxi journeys
- bicycle costs
- temporary taxi replacements for car-share schemes that are unavailable
- a work supplied bus service
- travel to work when public transport is disrupted by industrial action.

The 2 rules

The current travel and subsistence system is based around 2 main rules.

The first rule is that relief should be given for travel that is an intrinsic part of a person's job so that the employee does not have to bear the cost.

So the costs of daily journeys of a delivery service driver, a travelling salesperson or an electrician should be covered.

This rule can also be applied to regular travel between 2 different workplaces such as head and regional offices.

The second rule gives tax relief to 'necessary' journeys to places that a person must attend as part of their job that is distinct from ordinary commuting. Ordinary commuting is a journey from home to a 'permanent workplace' (a place they attend regularly).

This second rule is concerned with travel to 'temporary workplaces' which can be defined as:

- a place a person is expected to go to for less than 24 months (the '24 month rule')
- they spend less than 40% of their time there.

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Travel and subsistence

A changing framework

The travel and subsistence framework remained largely unchanged since 1998 until the Office for Tax Simplification (OTS) began to examine it closely in the early part of this decade.

The OTS concluded that while the system was reasonably well understood, there were a number of important issues:

- the definitions 'permanent' and 'temporary' workplaces are unclear
- currently, the 24 month rule is based on an employee's intention rather than the amount of time they actually spend in a workplace
- what makes a journey of the same length substantively different from an ordinary commute?
- how does homeworking fit into the equation?

Moving forward, the OTS has identified a number of principles that should be driving the travel and subsistence system forward:

- tests should be objective and based on measurable facts
- the terms 'permanent' and 'temporary' workplaces should be disregarded as much as possible
- relief should not be available where subsistence is essentially the same as private expense.

What the new system ends up looking like remains to be seen, but for now the current rules must be adhered to.

The government has already legislated to remove the £8,500 threshold below which employees do not pay income tax on certain kinds of benefits.

The government also announced in Budget 2015 that travel and subsistence relief will be restricted for workers who are employed by an umbrella company or a personal service company (and under the supervision, direction and control of the end user). This restriction will come into force in April 2016.

[Talk to us about travel and subsistence today.](#)

Reporting

Until the new framework is fully in place, the current reporting and paying system has to be adhered to. And, if you or your employees take advantage of travel and subsistence benefits, you will need to deduct or pay national insurance.

Business travel

If you want to apply for a dispensation which will mean that you do not have to include your business travel expenses in your end of year reports, you can do so at any time. The dispensation will usually start on the issue date and can be backdated to the beginning of the current tax year.

Travel and subsistence expenses should be reported using a P9D if the employee in question

earns at a rate of less than £8,500 a year and P11D for those that earn over that amount and directors.

It is important to note that any reimbursement to employees over the necessary cost of travel is counted as earnings and must be treated as such.

Private travel

For travel that is classed as non-business, private travel (which includes a person's commute to and from work), different rules apply.

If the travel is arranged by the company on behalf of its workers, it is reported largely the same as business travel.

If the employee arranges the travel and is later reimbursed for it, the money is counted as earnings and added to the rest of their earnings and PAYE and national insurance deducted.

Public transport

If the public transport costs are not exempt, they should be reported based on individual employee earnings in the same way as business travel.

The cost of season tickets, whether the business or the employee is paying the upfront cost, is treated as employee earnings and should be put through the payroll system.

The travel and subsistence framework is an important way to make sure that businesses and employees are not burdened with the costs of traveling to do business, but it is also a framework that is undergoing change. We can help you keep up to date with the changes.

[Contact us to talk about benefits in kind.](#)