



CHARTERED CERTIFIED
ACCOUNTANTS

Travel and subsistence

Your obligations for reporting travel expenses.

Many employees need to travel as part of their job for various reasons, whether it's acquiring new customers, working with current ones or attending conferences and events.

The system of benefits and taxation surrounding this essential economic activity is classed as 'travel and subsistence' in the eyes of the taxman.

This involves a business reimbursing its employees, directors or partners for meals, accommodation or other general expenses, and claiming back tax where there is a valid receipt.

However, intricate tax rules determine whether those reimbursed expenses are taxable on the employee or not, and employers need to consider and apply those rules on a daily basis.

To avoid burdening employees or businesses with the costs involved in these journeys, there are certain tax exemptions that apply to them.

With the 6 July deadline coming up for employers to file P11D forms to report employee benefits and expenses relating to 2017/18, you'll need to know your company's reporting obligations for tax and national insurance.

What is travel and subsistence?

The necessary costs that employees might incur while travelling for work can be divided into two categories.

Travel expenses refer to the costs of business travel you provide or reimburse.

This also covers temporary accommodation if an employee requires an overnight stay.



Subsistence is the term used for food, drink and other necessary costs that are incurred while travelling.

Public transport costs are also included if you provide or reimburse season tickets, such as for rail travel, for an employee.

However, it's worth noting that not all travel and subsistence costs are equal and they won't all count as expenses which are deductible for tax purposes.

Which expenses are deductible?

The expenses system can be complex, but the overriding rule for all business expenses is they must be "wholly and exclusively" for business purposes.

This means travel is only deductible if it's necessary for the employee to travel somewhere to perform the duties of their employment.

This does not include an ordinary commute or private travel.

Ordinary commuting is generally defined as travel between the employee's home and permanent place of work.

The workplace is considered permanent if the employee attends it regularly for work purposes.

Workplaces that employees go to for a limited time or to complete a particular task may be considered 'temporary' workplaces by HMRC.

The workplace must also meet an additional qualification for the Revenue to consider it as temporary.

A workplace cannot be considered temporary if an employee attends it in the course of continuous work that is likely to last more than 24 months.

Continuous work is taken to be if the employee spends more than 40% of their time working there.



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Incidental costs

Some of the costs an employee has to pay over the course of a journey may count as expenses. These could include parking costs, congestion charges, tolls or business phone calls.

Personal costs incurred while travelling won't always count. For instance, private phone calls, newspapers and laundry paid for during the trip won't be considered business expenses.

However, you can give employees up to £5 per night for travel in the UK, or £10 per night for travel outside of the UK, without being required to report it to HMRC.

The amount spent on meals and accommodation must be reasonable and appropriate, but this is judged according to individual circumstances.

Reporting and exemptions

As an employer, you'll need to report the costs of travel you cover for employees to HMRC, aside from some exemptions.

If you contribute towards free or subsidised public bus transport for employees, you don't have to report the costs.

Other exemptions include:

- non-regular taxi journeys
- bicycle costs
- temporary taxi replacements for carshare schemes that are unavailable
- a work-supplied bus service
- travel to work when public transport is disrupted by industrial action
- travel for an employee with a disability (under certain circumstances)
- mileage rates paid in accordance with HMRC statutory rates for use of your own car.

How should you report it?

The way you're required to report expenses will depend on how you've provided them to employees.

Business travel

You will need to report anything that's not covered by an exemption using a P11D form. No tax or national insurance contributions (NICs) need to be deducted or paid on this.

If you have reimbursed an employee more than the necessary cost of travel, the extra amount will count as earnings. This is also the case if you reimburse a mileage rate over and above HMRC's statutory rate.

Private travel

Different tax rules apply if you cover employees' private travel, such as their regular journey to and from work.

If you arrange and pay for transport, you'll need to report it on a P11D form and pay class 1A employer NICs on the annual value of the benefit.

Alternatively, if your employee arranges it and you pay the supplier directly, you should report it on your P11D form, and add the cost to the employee's other earnings through payroll.

You'll need to deduct and pay class 1 NICs and PAYE monthly through your payroll system.

If your employee arranges and pays for the transport themselves and you reimburse them, the amount will count as earnings so you'll need to treat it as such.

Public transport

Public transport costs will need to be reported unless they fall under an exemption.

If you provide the cost of season tickets to your employee, report it on form P11D and add the full cost to the employee's earnings, paying class 1 NICs but not PAYE.

As with private travel, reimbursing season ticket costs will count as earnings.

Salary sacrifice

If you provide travel and subsistence benefits as part of a salary sacrifice arrangement, you'll still need to report the costs to HMRC.

Some business travel expenses are covered by exemptions, while the costs of others relating to 2017/18 will need to be included on your P11D form before the 6 July 2018 deadline.

However, if the value of travel and subsistence is less than the amount of salary given up by the employee, you should report the salary amount instead for arrangements made after 6 April 2017.

Slightly different rules are in place for an arrangement made before 6 April 2017, which we're more than happy to advise on.

Changes for contractors

In April 2016, the government legislated to restrict the relief that some contractors can claim for travel and subsistence.

Where contractors were previously able to claim tax relief on the cost of travel from home to work, the changes mean that as with employees' commutes, this will no longer be deductible.

The rules affect workers providing services through an 'employment intermediary', which could include:

- an umbrella company
- a recruitment agency or employment business
- a personal service company that falls within IR35.

Determining which expenses you need to report and deduct can seem a complicated task, but it's an important one to get right.

The travel and subsistence framework is an important way to make sure businesses and employees are not burdened with the costs of travelling to do business.

It is also a complex framework that has undergone recent change, so get in touch for expert advice.

Contact us to discuss benefits in kind.