

Introduction

This section explains the tax position of employees who travel for business purposes in the course of their jobs. Typically, this will involve employees using their own motor cars for business journeys, but it also covers any situation where an employer:

- Reimburses an employee's costs of business travel.
- Pays directly for business travel on behalf of an employee.
- Provides travel facilities, such as a train ticket, for an employee.

There are two main aspects to the employee's tax position.

- The payment for travel and subsistence may be exempt from tax.
- Where the payment is not exempt from tax, or the employer has not reimbursed the cost, employees may be able to claim a deduction from their income when calculating their tax liability.

This section sets out the rules that apply to business journeys in the UK and covers the responsibilities of employers and employees.

It does not deal with the special rules that apply to foreign travel, or the car benefit rules that apply when an employee is provided with a company car (for which see the separate topic 'The taxation of company cars').

Business travel

Employees are entitled to tax relief for the full costs of travelling that they are obliged to incur in the performance of their duties.

Business travel is travel that is not private travel or ordinary commuting (the meaning of which is explained in the separate topic 'Employee travel and subsistence rules').

The relief

Relief is given either by exemption or by deduction.

- Some payments or benefits in kind received from an employer are exempt from tax. In this case, there is no requirement for the employer to report details to HM Revenue & Customs (HMRC).
- Where payments or benefits in kind are not exempt, they are taxed on the employee as income. In this case, the employer must report details of the payment or benefit in kind to HMRC and the employee has to claim a corresponding deduction for qualifying costs.
- Where the payment or benefit is not exempt, but the employee is entitled to claim a corresponding deduction, the employer is advised to seek a dispensation to remove the requirement to report the payment or benefit to HMRC and for the employee to claim the corresponding deduction.

Qualifying travelling expenses

There are two categories of qualifying travelling expenses:

- Travelling expenses in respect of journeys that are made by employees in the performance of their duties.
- Travelling expenses in respect of journeys that employees make to or from a place that they have to attend in the performance of their duties.

Travel in the performance of duties

Typically, travel in the performance of an employee's duties is where an employee travels to visit a client. Such travelling is 'on the job' as distinct from 'to the job', and the costs involved will qualify for relief.

- Travel that is integral to the performance of the duties also falls under this heading. This covers commercial travellers and service engineers who move from place to place during the day.
- When somebody has two separate employments, no relief is available for the cost of travelling from the first job to the second. The exception to this rule is where somebody has two separate employments within the same group of companies.

Attendance in the performance of duties

Travel to attend in the performance of duties covers the situation where an employee travels directly from home to a temporary place of work.

- Relief is given for the costs of travelling to the temporary place of work. The employee's attendance has to be necessary, rather than being for the personal convenience of the employee.
- It is important to draw a distinction between journeys to the temporary place of work, when relief is given for travel costs, and ordinary commuting to a permanent workplace, for which no relief is available.
- No relief is given where the journey to the temporary workplace is essentially the same as the ordinary commuting journey.

The distinction is explained in the next two subsections.

Ordinary commuting

Tax relief is not given for the cost of ordinary commuting or private travel.

- For the majority of employees, ordinary commuting is the journey that they make each day between their home and their permanent workplace. There is normally no relief for the cost of these journeys, and this includes cases where an employee is required to go into work at the weekend. The journey is undertaken to put the employee in the position to undertake the performance of the duties, rather than actually in performing those duties.
- A taxable benefit will normally arise where the costs of ordinary commuting are paid for or reimbursed by the employer, or where travel facilities are provided. However, no tax is charged:
 - Where an employer provides a works bus that is available to employees generally and has a seating capacity of at least nine people.
 - Where an employer subsidises a public transport service that takes employees to and from work, regardless of whether employees pay the full fare, a reduced fare or travel free.
 - Where the employee works late (until at least 9pm) and is provided with a taxi home, provided that this only happens occasionally and there is no public transport available or it would be impractical for the employee to use it. This exemption is to be abolished from 6 April 2012.

- Ordinary commuting also includes travel between a permanent workplace and any other place that an employee visits for non-work reasons.
- Anti-avoidance rules prevent an ordinary commuting journey being turned into a business journey by the arrangement of a business appointment en route.

These rules are explained in the separate topic 'Employee travel and subsistence rules'.

Private travel

No relief is given for private travel. Private travel is a journey between:

- An employee's home and any other place they do not have to be for the purposes of work, or
- Any two places an employee is not required to attend for the purposes of work.

An example of private travel would be a journey to attend a social evening with work colleagues or a trip to the shops.

Permanent workplace

For most employees, it is clear what constitutes their permanent workplace. A place where an employee works is a permanent workplace if they attend it regularly for the performance of the duties of employment and that workplace is not a temporary workplace.

Regular attendance at a workplace

An employee is treated as regularly attending a workplace if:

- Attendance is frequent.
- Attendance follows a pattern.
- It is the place that the employee normally attends during all or most of the period of employment.

The proportion of time spent at a particular workplace can be an important factor in determining whether that workplace is treated as the employee's permanent workplace.

However, it is not the only factor, and regular attendance at a workplace for just one or two days a week can result in it becoming the permanent workplace.

More than one permanent workplace

Regular attendance at more than one workplace could result in each place being treated as a permanent workplace.

Example 19.1 – Multiple workplaces

A manager employed by a company that operates several supermarkets spends Monday and Tuesday each week working at the supermarket in Liverpool and the other three weekdays at the supermarket in Blackpool. Neither supermarket can be considered a temporary workplace, so no relief for travel costs is given.

If the manager worked at the Liverpool supermarket in the morning and at the Blackpool supermarket in the afternoon, then relief for the costs of travelling between the two supermarkets would be given.

Attendance for a temporary purpose

Regular attendance at a workplace does not necessarily lead to that place being treated as a permanent workplace, as long as the purpose of each visit is temporary or of a self-contained nature. Relief will therefore normally be given for the costs of attending meetings at a company's head office, despite such meetings being held on a regular basis. This is because each meeting is considered self-contained, rather than part of a series of visits for the continuation of a particular task.

Depots

A depot is treated as a permanent workplace if:

- An employee attends there regularly, and
- It is the base from which they work, or the place where they are routinely allocated tasks.

In these circumstances, travel between home and the depot is ordinary commuting for which no relief is available.

Working from home

Employees often work from home because it is convenient rather than because the nature of the job requires them to do so. For example, an employee might work at home during the evenings. No relief is given for the costs of travel to or from home, even if the employer's premises are closed during the evening.

Where it is an objective requirement of an employee's duties to carry out substantive duties at the home address, HMRC will accept that the home is a workplace for tax purposes. In this situation, it may be possible to claim a deduction for travel during the working day to another permanent workplace, such as the employer's premises. However, HMRC adopts a harsh line and rarely accepts that working from home is an objective requirement of the job rather than a matter of choice. Employees who work from home are entitled to relief for the costs of travel to a temporary workplace.

Where employees join an employer's voluntary homeworking scheme, even if they carry out most of their work at home they may not be allowed tax relief on the cost of travelling to meetings at their office. They are working at home through choice rather than in response to the needs of the job. It is not enough that the contract of employment stipulates that the employee works from home.

Duties defined by a particular area

Some employees have their duties defined by reference to a particular geographical area. For example, a district nurse might work in a particular local authority area, or a relief manager for a supermarket chain might cover all the stores in a region. This area will be treated as their permanent workplace. Such an employee is only entitled to relief for the cost of:

- Business travel made within the geographical area, and
- Business travel to other workplaces outside the area.

Where an employee lives outside the geographical area, then the journey between home and the edge of that area is ordinary commuting. It should be noted that these rules only apply where an employee has no single site that is their permanent workplace.

Emergency call-outs

Just because an employee has to travel to their permanent workplace in an emergency, for example, to turn off a fire alarm, does not mean that relief can be given for that journey, even if it is outside normal hours. The same principle applies to employees on stand-by who can be called out at short notice.

Temporary workplaces

A place is not treated as a permanent workplace if an employee goes there to perform a task of limited duration, or for a temporary purpose.

- Such a place is a temporary workplace, and is classified as such even if attendance is regular, provided the employee goes there to perform a task of limited duration, or for a temporary purpose.
- Relief is given for the costs of travel between home and a temporary workplace even if the employee does not have a permanent workplace to return to once the temporary assignment is completed.
- There is an overriding 24-month limit.

The 24-month rule

A place of work is not classed as a temporary workplace if an employee attends it in the course of a period of continuous work that lasts or is expected to last more than 24 months.

- A period of continuous work is a period throughout which the duties of the employment are performed to a significant extent at that place. For this purpose, HMRC regards duties as performed to a significant extent at any workplace if an employee spends, or is likely to spend, 40% or more of their working time there.
- If an employee spends 40% or more of their time at a particular place of work during a continuous 24-month period, then that place is classed as a permanent workplace rather than a temporary workplace. Travel between the workplace and home is therefore ordinary commuting for which there is no relief.

In most cases, it will be clear whether a temporary assignment will exceed the 24-month and 40% limits. Where there is uncertainty, each case should be decided on the facts.

- An important factor will be what the employer has told the employee.
- Moving home as a result of a change in the workplace is also an important indication of whether the change is considered to be permanent or temporary.

Example 19.2 – Temporary assignments (1)

An employee who normally works in the Leeds branch of a bank is sent to work in the Manchester branch for a period of 30 months. The branch in Manchester is a permanent workplace, because it is known that the 24-month limit will be exceeded from the start. No relief for travel costs is given.

The position will not alter if the employee is recalled to the Leeds branch after just 18 months, because it was expected that the 24-month limit would be exceeded.

However, if at the end of 12 months the period in Manchester is reduced to 18 months in total, then relief for travel costs will be given for months 13 to 18. The employee does not expect to exceed the 24-month limit for these six months.

Example 19.3 – Temporary assignments (2)

An employee who normally works in the London office of an insurance company is sent to its Glasgow office for a period of 15 months. After 12 months, the posting is unexpectedly extended to 30 months. Relief will be available for the cost of travel during the first 12 months, but not thereafter.

Example 19.4 – Temporary assignments (3)

An employee who normally works in a factory in Portsmouth is sent to work in a factory in Southampton for one day a week for a period of 30 months. The employee continues to work in Portsmouth for the other four days each week. The 40% limit is not exceeded and so the factory in Southampton is treated as a temporary workplace. The employee will receive relief for the costs of travelling between home and Southampton.

If the employee had been sent to Southampton for three days a week then the 40% limit would be exceeded. The factory in Southampton would then be classed as a permanent workplace, and relief denied. Relief would also not be given for the cost of travelling to the factory in Portsmouth, because this remains the employee's permanent workplace.

However, in each case relief would be available in respect of the journeys to Southampton if the temporary assignment was not expected to exceed 24 months.

Breaks in attendance

A period can remain continuous even if there is a break in attendance. It is necessary to consider the 24-month and 40% limits over the total period at that particular workplace.

Example 19.5 – Breaks in attendance

An employee who lives in London is sent on a full-time assignment to Birmingham for a period of 22 months. After 19 months, the employee unexpectedly has to return to London for four months before returning to complete the assignment in Birmingham. The employee will receive relief for the costs of travelling between home and Birmingham for the first 19 months because the assignment is not expected to last for more than 24 months. No relief will be given for travel costs during the final three months because the employee is working in Birmingham over a period that exceeds 24 months ($22 + 4 = 26$ months) and more than 40% of the time is spent there ($22/26 \times 100 = 85\%$).

Fixed term appointments

Relief for travel costs is not given where the travel is in respect of a fixed term appointment because attendance at such a workplace will not be regarded as of limited duration or for a temporary purpose.

Example 19.6 – Fixed term appointments

An employee who lives in Norwich is employed on a fixed term contract for 18 months working in Ipswich. During this period the employee sometimes travels direct from Norwich to Cambridge to meet clients. No relief is given for the costs of travel between Norwich and Ipswich, because this is a fixed term appointment, but relief will be given as normal for the costs of travelling to Cambridge. It does not matter that the appointment lasts less than 24 months. The employee works in Ipswich for the duration of the appointment.

Agency workers

Relief for travel costs is not given where a worker provides their services through an agency and generally attends only one workplace in respect of each engagement. This is because each workplace is treated as a separate permanent workplace, and so the travel is ordinary commuting.

Passing work on the way to a temporary workplace

Employees might pass their normal permanent workplace on the way to a temporary workplace. Relief is still available for the full cost of the journey provided that the employee does not stop at the normal workplace, or any stop is incidental, for example, to pick up some papers and the journey is not substantially the same as the ordinary commuting journey (see below, the separate topic 'Employee travel and subsistence rules'). If the employee stops to perform substantive duties then relief is only given for the second part of the journey.

Anti-avoidance rules

The legislation on employee travel contains safeguards to prevent relief being given where it is not properly due.

Necessary attendance

Relief is only available if it is necessary for the employee to attend a particular place on that occasion to perform the duties of their employment. The personal convenience of the employee is irrelevant. This prevents relief being given where, for example, an employee chooses to work somewhere other than the permanent workplace in order to look after a sick relative.

Changes to a workplace

An employee's workplace might change without significantly affecting their journey to work. In these circumstances, there is no change of workplace for tax purposes. The main factor in making this decision is the effect on the journey that an employee has to make to work, and in particular the cost of that journey. For example, it might be the case that in London an employee's workplace could move a considerable distance without significantly affecting the employee's journey to work, especially where travel is on the London underground.

Journey substantially the same as ordinary commuting

An employee might travel to a temporary workplace without that journey being significantly different from their normal ordinary commuting. In these circumstances, tax relief will be denied.

In particular, this rule prevents relief being given where an employee attempts to turn an ordinary commuting journey into a business journey to obtain tax relief. HMRC will not normally deny relief if the extra distance to a temporary workplace is ten miles or more each way.

Example 19.7 – Ordinary journeys

An ordinary commuting journey from Swansea to an office in Cardiff will not be turned into a business journey if the employee travels directly to the factory of a client in Cardiff and the factory is situated only a few hundred metres from the offices of their employer.

Journeys that are substantially private travel

Relief is denied for journeys where the business purpose is merely incidental to some private purpose, or where the journey is made substantially for private purposes rather than for business purposes. HMRC will not deny relief where comparatively small sums and short distances are involved.

The amount of relief

If an employee's business journey qualifies for relief, the amount of relief is the full cost of that journey. There is no need to take account of any savings the employee makes by not having to make their normal commuting journey to work.

Relief for expenditure actually incurred

Relief for travel other than by car is only given for the expenditure actually incurred. For example, an employee is given a payment of £140 to cover the cost of an airline ticket but decides to save money by travelling by train for £65. The employee will be taxed on the £140 received but can only claim a deduction for £65 actually incurred on the rail ticket.

Subsistence

Subsistence costs attributable to the journey in question qualify for relief. This includes the cost of hotel accommodation and meals where an employee stays away overnight on business, even if the employee is away for some time.

Example 19.8 – Subsistence costs

An employee is sent away on a temporary assignment for two months. She travels from home to the temporary workplace each Monday morning, and returns Friday evening. During the week she stays in a hotel. Some of her meals are taken at the hotel and the rest are taken at a nearby restaurant. The cost of the accommodation and all of the meals can be included as part of the cost of business travel.

Other costs

Relief will also be given for other costs that form an integral part of the cost of the business journey. This will include such items as congestion charges, parking, road tolls and vehicle hire charges. Personal costs incurred as a consequence of being away from home, such as the fees of a baby-sitter, do not generally qualify for relief. Such costs are incurred to enable the employee to work rather than in undertaking the work.

Choice of route

A journey does not necessarily have to be made by the shortest route to qualify for relief if another route is more appropriate. For example, a minor detour to stop for a meal would not preclude relief, but a major detour to visit a particular restaurant would. That part of the journey would be regarded as private.

A detour for private purposes does not prevent relief being given for the business part of the journey.

Transport mode

Other than in the case of the employee's own car being used for business travel, relief is given for the costs actually incurred. If the employee travels by train but could have travelled more cheaply by bus, relief is given for the cost of the train fare, as this is the cost actually incurred. What is important is whether the journey qualifies for relief, not the method of transport used to undertake that journey and whether a cheaper alternative is available.

Scale of expenditure

HMRC will not normally deny relief for the cost of a journey, hotel or meal simply because a less expensive alternative was available. However, unusually lavish expenditure might not be considered to be for genuine business reasons.

Journeys by motor car

Where employees undertake business travel in their own car, the only way an employer can reimburse the cost tax-free is by paying a mileage rate of not more than the approved amount.

A similar (but not identical) scheme applies for national insurance contributions (NIC) purposes. Reimbursement of the actual costs of motoring cannot be made free of tax.

- The approved mileage rates for tax purposes for 2011/12 are 45p for the first 10,000 miles and 25p thereafter, irrespective of the size of the car.
- For NIC purposes, the approved rate is 45p a mile regardless of the number of business miles undertaken.
- Amounts in excess of the approved amount (i.e. the approved mileage rate \times the number of business miles) are taxable and must be notified to HMRC on form P11D or P9D.
- If the employer does not pay the full mileage rates, the employee can claim a tax deduction for the difference between the approved amount and the amount they are actually reimbursed.
- The employer can pay an additional tax-free payment of 5p a mile if the employee takes a passenger who is also an employee travelling on business. However, the employee cannot claim a tax deduction for a passenger if the employer does not make any payment.

Journeys by bicycle or motorbike

Employees can claim tax relief for business travel by bicycle or motorbike in the same way as for journeys by car. The approved mileage rates are 20p for bicycles and 24p for motorbikes. Employers can also pay employees mileage allowances tax-free provided the payment does not exceed these approved rates. Amounts in excess of the approved amounts are taxable and must be notified to HMRC on form P11D or P9D, as appropriate.

Other reliefs

There are some other tax reliefs that are related to travel expenses. It is only possible to give a brief summary in this section.

Personal incidental expenses

Employees who stay away overnight while travelling on business in the UK are entitled to relief for personal expenses of up to £5 where these are paid for or reimbursed by the employer. The limit is £10 for overnight stays abroad. This covers such items as private telephone calls, laundry and newspapers.

Training courses

Relief is given for the cost of travelling to work-related training where the cost is paid for or reimbursed by the employer. Subject to several conditions, relief is also given where employees pay for the cost of travel themselves.

Removal expenses

Employees are entitled to relief for the first £8,000 of some removal expenses where they have to move home because of their work. Relief is only given if the costs of removal are paid for or reimbursed by the employer and only extends to 'qualifying' removal expenses and benefits.

Disruption to public transport caused by strikes

Employees are entitled to relief where they suffer additional costs of travelling because of industrial action, and the employer provides reasonable amounts towards this cost.

Late-night travel home

An employer can pay for an employee to go home from work by taxi free of tax if all the following five conditions are met:

- The number of journeys is no more than 60 a year.
- The employee is required to work later than usual and at least until 9pm.

- Such late-night working occurs irregularly. HMRC has emphasised that if there is a regular pattern to late-night working, such as once a week, the condition is not met, even if there are not more than 60 journeys a year.
- By the time the employee stops work, either public transport has ceased or it would not be reasonable to expect the employee to use it.
- The transport is by taxi or equivalent road transport.

Employees cannot claim relief for costs they incur that the employer does not reimburse.

This relief is due to be abolished from 6 April 2012.

National insurance contributions (NICs)

Business travel and subsistence allowances paid to employees are excluded from the earnings figure on which NIC is calculated.

- A liability to NIC will therefore arise only when the employer makes a payment that more than reimburses an employee for the cost of business travel. For example, an employee working away from home is given £45 a night to cover the cost of accommodation and meals. Provided the full amount is spent in this manner then no liability to NIC arises. However, if the employee stays at a friend's house at no cost, then the £45 becomes earnings and NIC is due.
- A mileage allowance of up to 45p a mile (2011/12 rates) can be paid without liability to NIC for business travel by employees in their own cars. The same rate can be paid whatever the total mileage in the year – there is no reduction to 25p after the first 10,000 miles. Payments in excess of 45p a mile are treated as earnings for NIC purposes.

Example 19.9 – Mileage

An employee uses his own motor car for a business journey of 150 miles. The employer pays a mileage rate of 60p a mile during 2011/12, but only for the 130 miles in excess of the employee's normal ordinary commuting.

Payment made	130 miles @ 60p	£78.00
Less permitted rate	150 miles @ 45p	(£67.50)
Additional earnings for NIC purposes		£10.50

Employer's and employee's obligations

Form P11D

An employer who reimburses or pays for an employee's travel expenses must report details to HMRC on form P11D, unless the amounts are approved mileage payments, exempt from tax, covered by a dispensation or included within a PAYE Settlement Agreement. The form must be submitted by 6 July following the end of the tax year.

Subject to some exceptions, employers must report the following on form P11D:

- Mileage payments in excess of the approved amounts.
- Reimbursed travel expenses, such as reimbursed train or bus fares, etc.

- The cost of any tickets, accommodation, meals or other travel facilities bought by the employer and used by the employee.
- The cash equivalent of any in-house provision of transport, accommodation, meals or other travel facilities made available to the employee.

In each case, the amount reported is the figure before any deduction that the employee might be able to claim. The employee will be taxed on the payment or benefit in kind, but this will often be offset by a corresponding claim for an expense deduction.

Payments that do not have to be reported

Details do not have to be reported on form P11D if the payments are:

- Not taxable.
- Mileage allowances that are not more than the approved amounts.
- Included in a PAYE Settlement Agreement.
- Covered by a dispensation. A dispensation is in effect a notice of nil liability, and is given by HMRC where taxable amounts are covered by a corresponding expense deduction. Dispensations will typically be given to cover:
 - Air and rail tickets used for business travel.
 - Payments for subsistence while on business travel.
 - Hotel bills paid directly by the employer.
 - Additional costs of business journeys in an employee's own car, such as parking, congestion charges and tolls.

An employer can agree to settle in a single annual payment the income tax liability on some expense payments by means of a PAYE Settlement Agreement. To be included in such an agreement, payments have to be of a minor or irregular nature, and might include, for example, occasional taxi fares and incidental travel costs.

PAYE

An employer does not have to deduct tax under PAYE on payments to employees for business travel where the amounts paid simply reimburse costs actually incurred. PAYE is also not operated where the employer pays for the costs of travel directly, for example, by paying a hotel bill.

Tax must be deducted under PAYE in the following circumstances:

- Payments exceed costs actually incurred. The full amount of the payments must be included as gross pay for PAYE. The employee can then claim a deduction for the actual costs incurred.
- The employer pays round sum allowances. The whole of the round sum allowance must be included as gross pay for PAYE, and the employee can claim an appropriate deduction. In some circumstances, HMRC might accept that a round sum allowance merely reimburses the costs incurred and can be paid without deducting tax under PAYE, but this is unusual.

Employee's responsibilities

With respect to travel, employees should keep the following:

- Details of expense payments and benefits in kind as reported on form P11D. The employer must provide this information to each employee by 6 July following the end of the tax year.
- Details of claims for expenses they make to their employer and the receipts to support these claims, unless the employer holds them.
- Mileage details where a car owned by the employee is used for business journeys.

Employees who receive a tax return must include in it details of all payments and benefits in kind received. They can use the tax return to claim relief for the full cost of business travel. Employees must be able to substantiate the claim made. Employees who do not receive a tax return should contact HMRC if they have not received full tax relief for business expenses to which they are entitled.

Further information

- HMRC publishes comprehensive guidance in Booklet 490, 'Employee travel – a tax and NICs guide for employers', which explains most of the topics covered in this section in detail, as well as including several practical examples. The booklet is available to download from the HMRC website at www.hmrc.gov.uk/helpsheets/490.pdf.
- Guidance on tax relief for mileage payments can be found on the HMRC website at www.hmrc.gov.uk/incometax/relief-mileage.htm.
- HMRC's website also contains general guidance on travel expenses at www.hmrc.gov.uk/payee/exb/a-z/t/travel.htm.
- Guidance is also contained in HMRC's 'Employment Income Manual' at EIM 31800ff, see www.hmrc.gov.uk/manuals/eimanual/eim31800.htm.
- Detailed guidance on dispensations can be found at www.hmrc.gov.uk/payee/exb/schemes/dispensation.htm.
- Guidance on PAYE Settlement Agreements can be found at www.hmrc.gov.uk/payee/exb/schemes/psa.htm.

This guide is for general information only and is not intended to be advice to any specific person. You are recommended to seek competent professional advice before taking or refraining from taking action on the basis of the contents of this publication. The guide represents our understanding of the law and HM Revenue & Customs practice as at September 2011, which are subject to change.