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**Date** 30 September 2011  
**Our ref** LC/SEC/S0838/475 FA61367/LM  
**Your ref**

[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

Dear Sir

**Dispensation for Particular Expenses Payments and Other Matters**

This dispensation applies to the expenses payments, benefits and facilities that are set out below. For the purposes of this dispensation these matters are referred to collectively as "expenses payments and benefits". It means you will not have to report these expense payments and benefits at the end of the year on forms P11D or P9D. It revokes from the date of this dispensation any previous dispensation covering expense payments or benefits.

I am giving you this dispensation because I am satisfied, on the basis of what you have told me, that no additional tax would be payable by the employees concerned on these expenses payments and benefits. I am authorised to do this by Section 65 and Section 96 of the Income Tax (Earnings and Pensions) Act 2003.

The dispensation applies only to the expense payments and benefits, set out below, in the circumstances there set out. If the expense payments or benefits are paid or provided in circumstances that give rise to additional tax, this dispensation will need to be revoked. Where necessary, the revocation may apply to expense payments and benefits already provided. In that case additional tax and NIC will be due.

It is important that you let me know if you alter your system for controlling expense payments and benefits, or increase their amounts, or change their nature or make any other changes that may affect their taxability.

Payments and benefits that are in any way different, or are provided in circumstances that differ, from those set out below will not be covered by this dispensation and should be reported in the normal way.

**Mrs L Martin**  
Authorised Officer of HMRC

Information is available in large print, audio and Braille formats.  
Type Talk service prefix number – 18001



Business Head: Diane Donnelly

Notice

This dispensation is effective from: 6 April 2011

## Employees covered by this dispensation:

- A. Directors, where the directors' expenses claims are independently checked and authorised by another person, or where full receipts or relevant vouchers are held in support of the expenditure.
- B. All other employees whose claims are independently checked and authorised by another person, except
- Where the exemptions provided by this Dispensation Notice in any year would bring their total earnings (including all expenses and benefits) below £8,500 and
  - There are other payments of expenses and benefits which would thereby cease to be taxable under the benefits code in Section 63 ITEPA 2003.

### Employees not covered by this Dispensation

- Non-UK domiciled individuals working in the UK who have an employment relationship with an employer resident outside the UK.

## Nature of Payments and Benefits Provided

### 1. Travel (Excluding Mileage Allowances)

Reimbursement of the costs actually incurred by employees, when supported by receipts, on journeys undertaken for business purposes by road (excluding mileage allowances), rail, air and sea, but excluding ordinary commuting.

Minor business travel expenditure such as parking, road and bridge tolls and tube fares for which receipts are not available may be reimbursed under the terms of this dispensation notice providing that there is alternative supporting documentation to confirm that the expenses were necessarily incurred.

For further guidance on qualifying business travel please see booklet 490 (Employee Travel – A tax and NICs guide for employers).

### Exclusion of Ordinary Commuting

Travel between an employee's home, or any other place that is not a workplace, and his/her normal place of work is ordinary commuting and is not covered by the dispensation.

**Note:** dispensations are no longer available in respect of mileage allowances paid to employees using their own vehicles for business travel. Amounts not exceeding the qualifying amount, the number of miles of business travel multiplied by the currently applicable rates, are exempt from tax. Amounts in excess of the approved amount are always taxable. The current rates can be found at [www.hmrc.gov.uk/rates/travel.htm](http://www.hmrc.gov.uk/rates/travel.htm). Earlier rates can be found from a link on that page.

## 2. Hire Cars

The receipted cost of car hire. Authorised private use, incidental to the business element of the use of the car, i.e. where it is impractical for the car to be returned on a Friday, the employee returns the car on the Saturday morning, taking the car home for the night. Reimbursement of petrol for the business use of the hire car on production of receipts.

## 3. Subsistence

The reasonable and necessary cost of a meal/snack and beverages incurred by an employee whilst undertaking travel the expenses of which are included the section relating to Travel (Excluding Mileage Allowances). The travel must occupy the whole or a substantial part of a working day encompassing the normal meal breaks. Claims must be supported by relevant receipts.

The reasonable cost when supported by the relevant receipts or invoices of accommodation, breakfast, lunch, if applicable, and an evening meal (except where accompanied by a spouse or relative etc) incurred by an employee who is required to stay overnight in the course of such a journey. The travel can be either within or outside the UK but the employee must be working away on company business.

Excluded from the dispensation are the cost of videos, newspapers, beverages not complementing an evening meal and private telephone calls, all of which are covered by the legislation relating to Incidental Overnight Expenses. (Please read Appendix 8 of the HM Revenue & Customs booklet 480 for further information).

The maximum amounts of incidental overnight expenses that an employer may reimburse free of tax are

£5 per night for overnight stays anywhere within the United Kingdom (Great Britain and Northern Ireland) and

£10 per night for stays outside the United Kingdom

If the total amount paid exceeds the maximum tax free amount for the period of absence the whole of the payment becomes taxable not just the excess.

## 4. Advisory Benchmark Scale Rates for Day Subsistence

The benchmark rates are the maximum tax and NICs free amounts that can be paid by employers who choose to use the system. An employer can pay less than this rate if it wants to do so. If a higher payment or expense reimbursement is made without agreeing a tailored scale rate with HMRC, the excess over the benchmark rate should be subject to tax and NIC's.

**The benchmark scale rates that apply from 6 April 2009 are as follows:**

<b>Description</b>	<b>Amount (up to)</b>
Breakfast rate	£5
One meal (5 hour) rate	£5
Two meal (10 hour) rate	£10
Late evening meal rate	£15

**Breakfast rate** – The rate may be paid where an employee leaves home earlier than usual and before 6.00 am and incurs a cost on breakfast taken away from his home after the qualifying journey has started. If an employee usually leaves before 6.00 am the breakfast rate does not apply.

**Late evening meal rate** – The rate may be paid where the employee has to work later than usual, finishes work after 8.00 pm having worked his normal day and has to buy a meal before the qualifying journey ends which he would usually have at home.

The breakfast and late evening meal rates are for use in exceptional circumstances only and are not intended for employees with regular early or late work patterns (see examples at EIM05232).

**One meal (5 hour) rate** – The rate may be paid where the employee has been undertaking qualifying travel for a period of at least 5 hours and has incurred the cost of a meal.

**Two meal (10 hour) rate** – The rate may be paid where the employee has been undertaking qualifying travel for a period of at least 10 hours and has incurred the cost of a meal or meals.

Benchmark scale rate payments must be limited to three meal rates on one day or 24 hour period. A meal is defined as a combination of food and drink and would take a normal dictionary meaning. Where employees are required to start early or finish late on a regular basis, the over 5 hour and 10 rates can be paid provided that all the other qualifying rules are satisfied.

**An employer will need to keep sufficient records to be able to demonstrate that the employee was entitled to the payment. An employer also needs to be able to demonstrate that routine checks are undertaken to ensure that travel expenses rules are being followed.**

#### **5. Home telephone (Main line)/ Personal Mobile Telephone**

Reimbursement of the cost of business calls made from a private home telephone or employee's personal mobile telephone, where justified by reference to the itemised bills. The line rental remains the personal liability of the subscriber.

#### **6. Professional Fees and Subscriptions**

Professional Fees and Subscriptions paid by or on behalf of an employee to an organisation, included in HM Revenue & Customs List 3, where the activities of the organisation are relevant to the office or employment in accordance with Section 343 and 344 Income Tax (Earnings and Pensions) Act 2003.

The activities of the organisation are relevant to the office or employment if the performance of the duties is directly affected by the knowledge that the organisation exists to provide, or they involve the exercise of the profession the organisation represents.

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**1) Extra Statutory Concessions**

Items that are covered by an Extra Statutory Concession are not suitable for inclusion within a dispensation.

**2) Travel – Exclusion of ordinary commuting**

Travel between an employee's home and his/her normal place of employment is not business travel and is not covered by this dispensation.

**3) Incidental Overnight Expenses**

Excluded from this dispensation are items of personal expenditure for example; laundry, videos, newspapers, bar and mini-bar bills and private telephone calls. These types of "Incidental overnight expenses" are covered by specific legislation. For further information please see Appendix 8 of the Inland Revenue booklet 480 and the notes at (c) below.

**4) Incidental Overnight Expense Tax-free Limits**

- i. Up to £5 per night for overnight stays anywhere within the United Kingdom (Great Britain and Northern Ireland) and
- ii. Up to £10 per night for stays outside the United Kingdom.

Where these limits are exceeded the whole of the payment becomes taxable not just the excess.

**5) Motor Mileage Allowance**

From 6 April 2002 a dispensation is no longer required for mileage payments for business travel in the **employees own vehicle**, where the amounts paid do not exceed the Revenues approved mileage allowance payments (AMAP's). Excess paid over the approved amount must be included on form P11D for tax purposes and included with earnings for NIC.

For further details please see Chapter 5, page 96 of the booklet CWG2 (2011) the Employers Further Guide to PAYE and NICs

**6) Training Expenses**

From 6 April 1997 a wide statutory exemption exists for work related training and related costs, under Section 250 – 252 ITEPA 2003. Subsequently it is not necessary to include these types of expenses in a dispensation. For further details please see Appendix 9 of the 480 booklet of "Expenses and Benefits".

**7) Purchases on Employer's behalf**

Businesses are often run in such a way that employees make payments on their employer's behalf. For example an employee may buy stamps, stationery and items of equipment for the employer and be reimbursed the costs incurred from petty cash or by cheque. These transactions do not provide the employee with either earnings or expenses because the employee has received no money of his own. Accordingly such reimbursements need not feature on the P11D (Booklet 480 chapter 5)

**8) Working From Home**

From 6 April 2008 employees who satisfy the conditions for relief (EIM32760) are entitled to a deduction of £3 (exclusive of the cost of business telephone calls) for each week that they are required to work at home, without having to justify that figure. Employees who wish to deduct more than £3 per week will be expected to keep records and to be able to show how their figure has been calculated.

**9) Mobile Phones**

For 1999/2000 and later years the provision of a mobile phone to an employee is exempt from charge (Section 319 ITEPA). From 6 April 2006 employers are only able to make available *one* mobile telephone for private use by the employee (telephones available to members of the employees' family and household are no longer covered by the exemption). From 6 April 2006 vouchers for the provision of a mobile phone by the employer are exempt under Section 266(2) ITEPA.

Where an employee makes business calls on their own private mobile phone and their employer reimburses the cost of the phone, private calls or any service charge the amounts paid are liable to tax and NIC.

**10) Hands Free Mobile Phone Kit in an employee's own car**

On general principles, the provision by an employer of a hands-free kit fitted in an employee's car is chargeable under the benefits code (EIM20006). However, as long as the employer retains ownership of the kit installed in the employee's vehicle, there is no benefit charge because of the exemption in section 319.

If, on the other hand, the employer buys the kit and transfers ownership to the employee, s319 has no effect and there will be a benefit charge if the transfer is made at other than market value (EIM21640).

If the employee buys the kit and retains ownership but the employer reimburses the cost to the employee, the reimbursement represents earnings chargeable under Section 72 ITEPA 2003 (EIM20601).

**11) In-house meetings / Working Lunches**

Section 317 ITEPA 2003 provides exemption where the meal is provided: -

- in a canteen where meals are available to employees generally, or
- on the employer's premises, provided that,

the meal is on a reasonable scale and all employees may obtain a free or subsidised meal on the employers premises or elsewhere.

This exemption applies to light refreshments as it does to meals, and if all employees may get a free or subsidised meals on the employers premises or in a canteen, then working lunches on a reasonable scale provided on the employer's premises will also be exempt even if not all of the employees get the working lunches.

***Where the above conditions necessary for exemption are not met a benefit charge will arise.***

**12) Overseas Drinking Water**

This is included in the Dispensation under the heading 'Subsistence' First Paragraph - (The reasonable and necessary cost of a meal/snack and beverages incurred by an employee whilst undertaking travel the expenses of which are included the section relating to Travel)

**13) Inoculations & Visas**

This is included in the dispensation under the heading Travel & Subsistence, sub paragraph Travel. Details are in booklet 490 Employee Travel Chapter 7 paragraph 7.10.

**14) Medical Check Ups and Eye Tests**

The provision by an employer of routine medical check ups for all employees, or the cost of an eye test for VDU users in accordance with EU regulations, and the cost of spectacles required solely for VDU use, does not confer a chargeable benefit on those employees. Where spectacles are for general use but include a special prescription for VDU use, the proportion of the cost relating to the special prescription will not be a chargeable benefit.

The provision or payment towards the cost of spectacles for general use, including use with a VDU which do not include a special prescription for VDU use will give rise to a taxable benefit and should be reported on P11D.

**15) Car Parking Near Work**

Any payment or reimbursement of expenses in connection with the provision for or use by an employee of a car parking space at or near the employees workplace is not chargeable to tax by virtue of the exemption at Section 237 ITEPA 2003.

**16) Working Rule Agreements**

Payments of travelling and lodging allowances under Working Rule Agreements are not included in the dispensation. Such payments may not be appropriate for inclusion in a formal dispensation. Nevertheless they need not be returned on forms P11D where they are made without deduction of tax under the National arrangements.

**17) School Meals provided to Staff**

Every Local Education Authority (LEA) is under a legal requirement to provide a lunchtime meal for children attending schools in its area. Teachers and other school staff may join the children for lunch in the school canteen.

The LEA may subsidise the cost of the meal to both children and staff, so the staff employees may receive a subsidised meal. As long as a subsidised meal is available to all staff, there is no benefits charge for those who take advantage of the facility, as there is a specific exemption for free and subsidised meals as long as particular conditions are satisfied.

Schools may provide a free meal to staff in return for the member of staff voluntarily giving up part of his or her lunch break to supervise children or organise a lunchtime club. If this facility for a free meal is available to all staff in the school the exemption referred to above will apply to exempt the staff from a benefits charge.

If the exemption does not apply, the staff who receive a free meal are strictly chargeable on a benefit, based on the cost to the LEA of providing the meal. The benefit is charged on the additional marginal cost of the meal – the cost of the raw food ingredients. The additional cost of the ingredients for a school lunch is likely to be small. Even if a staff member has a few free meals in each week in the school year the cumulative annual cost of this benefit will be modest. Consequently the Revenue is satisfied that school staff may receive this marginal benefit without it being subject to tax or National Insurance.

**18) Supplies & Services provided other than on the Employers Premises**

There is no tax charge on the expense that an employer incurs in providing directors and employees with supplies and services that are provided other than on the employer's premises, and that :

- are provided for the sole purpose of enabling the employee to perform the duties of the employment, and
- the employee uses in performing the duties of the employment and any use for private purposes is not significant.

The exemption (Section 316 ITEPA 2003) covers the provision to employees of supplies and services such as for example:

- office furniture and equipment
- stationery and normal office materials
- fax machine and computer equipment
- Satellite Navigation Systems & Guidance Software

**19) Laptop Computers / Blackberries (PDA's)**

If the conditions are satisfied, Section 316 ITEPA 2003 provides that no income tax will arise on supplies and services provided other than on the employer's premises used in employment duties. This includes computer equipment provided for business purposes where any private use is not significant. Consequently where employers provide computer equipment to employees solely for them to carry out duties of the employment at home or travelling, HM Revenue and Customs accept it is unlikely that private use of the computer will be significant, when compared with the primary business purpose of providing the computer equipment. This is not suitable for inclusion in the dispensation, as it is covered by the exemption.

From 6 April 2006 the provision by an employer to an employee of a Personal Digital Assistant (PDA) represents a benefit, unless the Section 316 ITEPA 2003 applies. Again, this is not suitable for inclusion in the dispensation.

**20) Car Washing**

No deduction can be permitted under Section 336 ITEPA 2003 for the cost of washing a company car or the employee's own car. It may be specified in the agreement with the employer for a company car that the employee must keep the car clean, but that does not mean that washing the car is part of the duties of the employee's employment.

There is no reduction from the car benefit charge in respect of costs of cleaning a company car that are met by the employee,

**21) Trivial Benefits**

There is no general statutory limit below which benefits are not taxable and each occasion should be submitted for agreement. It is therefore not suitable for inclusion in a dispensation.

Seasonal gifts by an employer at Christmas of a turkey, a box of chocolates or a bottle of wine may be regarded as trivial regardless of the number of employees concerned and the overall cost to the employer.

Small gifts such as an arrangement of flowers can be treated as trivial as long as it is made in recognition of a particular event, e.g. an employee's marriage, birthday or birth of a child, and this is not part of any reward for services.