



Appendix

Expenses exemption to replace dispensations from 6 April 2016

The change

Read our article on the changes at www.hawsons.co.uk/dispensations-changes-april-2016

Appendix 1 – Approved scale rates

Meals purchased by the employee in the course of qualifying travel can be reimbursed as a round sum as follows:

- One meal allowance per day paid in respect of one instance of qualifying travel, the amount of which does not exceed:
 - £5 where the duration of the qualifying travel in that day is 5 hours or more;
 - £10 where the duration of the qualifying travel in that day is 10 hours or more; or
 - £25 where the duration of the qualifying travel in that day is 15 hours or more and is on-going at 8pm.

or:

- an additional meal allowance not exceeding £10 per day paid where a meal allowance in sub-paragraph (a) or (b) is paid and the qualifying travel in respect of which that allowance is paid is on-going at 8pm.

‘Qualifying travel’ means travel for which tax relief is available.

More guidance is at <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim30240>

Appendix 2 – HMRC guidance of checking systems

The following are extracts from HMRC guidance.

Where an employer applies a checking system that fits one of the following models HMRC will accept that the requirements of the exemption are met.

Checking systems may vary depending on the size of the employer’s workforce and the proportion of that workforce who travel regularly in the performance of their duties. Employers will need to be able to demonstrate that the system that they use checks a representative sample of their employees’ travel claims sufficiently frequently to allow them certainty that their processes are working, that they only pay claims on qualifying occasions, and that the amount that they pay reasonably reflects the costs that employees are actually incurring.

These models are not prescriptive and employers may choose to put a different system in place. Alternative systems which demonstrate that payments are only made to employees which would be eligible for a deduction, and that employees are actually incurring an expense will still meet the requirements of the exemption.

Model C – Small employer

Small employer with less than 100 employees who regularly travel in the duties of their employment. Employer pays benchmark rates

Employer checks a random 10% of all claims. Checks to be independently checked and authorised, and vouched by reference to employee diaries, work schedules and time sheets to confirm that employees were travelling in the performance of their duties on the date of the claim, and receipts to demonstrate that employees had in fact incurred costs whilst travelling. Employees should be aware that they might be subject to review at any time, and not be given notice that any particular claim will be subject to review.

The employer will have to be able to satisfy HMRC that their 10% sample really is a random one - for example, every 10th claim received. HMRC will accept the evidence produced by such an exercise as being random for the purposes of confirming that employees meet the qualifying conditions for payment of the scale rate.

Employees required to retain receipts for a period of twelve months from the date of expenditure.

Model D – One man company

Single employee of a one man company working at a series of temporary workplaces. Claiming benchmark scale rates.

Employee maintains diary and time sheet to confirm occasions when travelling in the performance of duties and retains receipts for one week every month in respect of subsistence costs. An independent third party performs regular monthly checks to confirm that the relevant conditions for the exemption were met on each occasion. Checks are performed at random and the employee does not know in advance which journeys will be checked.'

<https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim30275>

What to do now

The new system means that you may have to change what you have been paying or reimbursing your staff and/or apply to HMRC for new rates. The changes are not simple, so we suggest you review your dispensation as soon as possible and contact us if you are unsure as to how the new rules will affect you.

If you would like to discuss any of these changes or would like help with applying to HMRC for new scale rates, please do not hesitate to contact us at www.hawsons.co.uk