

REFERENCE: SNIJIB 87/11

2nd October, 1987

TO THE INDUSTRY IN SCOTLAND AND NORTHERN IRELAND

Dear Sir

TAXATION OF FARES AND LODGING ALLOWANCES

It is an employer's duty to deduct Income Tax from the pay of his employees in accordance with the terms of the PAY AS YOU EARN SCHEME (PAYE). Paragraph F62 of the Employer's Guide to PAYE states that "any payments made to employees towards the cost of travelling between his home and normal place of employment are taxable. The payments should be included in the pay figure on the deductions working sheet. Payments for time spent travelling should be treated in the same way".

Owing to the nature of the Construction Industry where employees move from site to site, and it is often difficult to establish the normal place of employment, the Inland Revenue have allowed a concession, in recognition of the high degree of mobility in the Industry, and provided specific conditions are met payments of fares may be made without deduction of tax in respect of direct home to site travel. The Inland Revenue has for some time had formal agreements with the Builders, Heaters and Electricians in regard to fares and other payments linked to travelling. It recently became clear that the absence of an agreement with the Inland Revenue was putting plumbing firms and plumbing employees in a disadvantageous position. As a result the Scottish and Northern Ireland Joint Industry Board for the Plumbing Industry has made an agreement with the Inland Revenue with effect from 1st October, 1987 on the taxation of fares for direct home site travel as follows:-

- (a) where a plumbing operative's journey is home to employer's premises to site or vice-versa the reimbursement of fares between the employer's premises and site and vice-versa may be paid without the deduction of tax. Similarly travel between sites is reimbursable and not subject to deduction of tax.
- (b) where a plumbing operative's journey is home to first site and vice-versa the first 4 miles each way per day is taxable at the rate of 10p per mile. For example if it is 6 miles each way making a total round trip of 12 miles the maximum taxable amount is 80p (i.e. 8 x 10p) the remaining 4 miles is tax free. The rate of 10p per mile agreed with the Inland Revenue is a nominal mileage rate which will be reviewed from time to time.

It is the responsibility of operatives to meet the cost of travel between home and employer's premises. If an employer reimburses such fares or pays an amount to cover such travel then these payments are wholly taxable.

CAR MILEAGE

Where an operative uses his private car to travel direct from his home to first site the employer may pay a maximum mileage allowance of 10p per mile to cover petrol. The first 4 miles each way per day being taxable giving a total taxable amount of 80p per day.

SEASON TICKETS

Where an employer provides season tickets to operatives, at his expense, the expenditure incurred by the employer is taxable as pay in the hands of the employee. This includes any benefit available to employee for private use i.e. it is not only business travel that is taxable but the total benefit to employee accruing from having a season or monthly travel card.

LODGING ALLOWANCE CERTIFICATE –SINGLE EMPLOYEES WITHOUT DEPENDANTS

I refer to Federation Circular 87/84 dated 6th May, 1987 which advised that with effect from 6th April, 1987 the Inland Revenue would accept that lodging allowance may be paid free of tax to single employees without dependants working within a fifty mile radius of the employers premises. The employee must certify that:-

- (a) he/she is incurring additional expenditure on lodging away from his/her permanent address.
- (b) he/she has a continuing liability for the expenses of his/her permanent U.K. residence at which he/she normally lives whilst not working away and
- (c) his/her permanent residence is owned either freehold or leasehold or as a tenant of the property by virtue of a written agreement has a continuing financial obligation whilst working away.

A revised lodging allowance certificate is enclosed which has been approved by the Inland Revenue. Form B should be used for single employees without dependants and Form A for employees with dependants. Copies of both forms are available from S.P. Technical Publications Ltd. At a cost of 50p for 20 forms.

Yours faithfully

W T SOUTAR

Director & Secretary