

Bath and NE Somerset Employers' Travel Forum



Tax and Travel Plans

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(Note: hyperlinks included in these slides)

Transport and Tax

- In the UK, unless a specific exemption is made, employer support to staff for commuting is treated as taxable 'income in kind'
 - NOTE: for non-employees - students, customers or visitors, Travel Plan benefits are not taxable
- For business travel costs, payments are tax exempt unless limits are passed or a private benefit provided



Commuting support and Travel Plans



- Until 1999, employer-provided car parking was the only major exemption (worth at least £500 per annum)
- From 1999 certain Travel Plan measures have become exempt from Income Tax and National Insurance Contributions (NICs)
- Tax is on marginal cost to employer (so bulk or negotiated discounts are tax free)
- Small benefits usually treated as 'trivial' (e.g. prize draws for car sharers etc.)





Tax exempt provisions

- Car parking
- Bicycle parking
- Employer-provided works buses with 9+ seats used for commuting
 - Occasional use for other trips (e.g. lunchtime shop runs) is OK
- Alternative backup 'get-you-home' transport for car sharers is tax-exempt (up to 60 trips a year)
- Interest-free loans to buy season tickets, a bicycle, a car or anything legal – (up to £5,000 in any tax year).

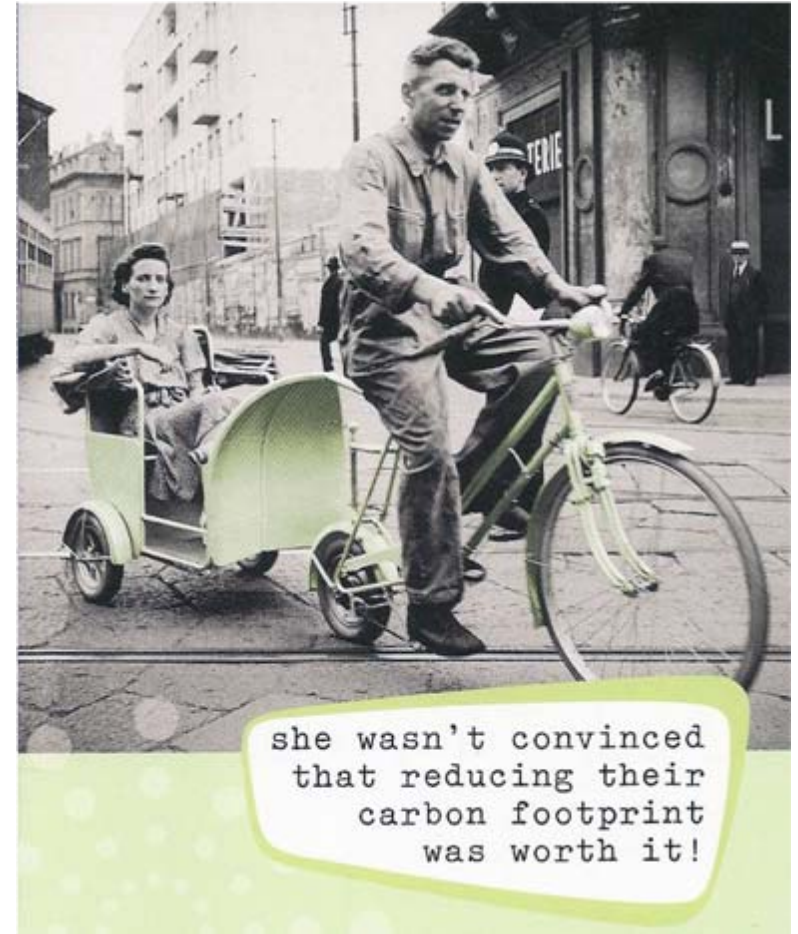




Bicycle Exemptions



- The provision of Bicycles (including electric bikes) and Bicycle Safety Equipment has been exempt from tax since 1999.
 - Bicycle Safety Equipment covers helmets, lights, carriers, locks, repair kit etc.)
- The provision of cyclists breakfasts on designated "cycle to work" days exempt from tax
- Bicycle maintenance and rescue services exempt if average cost per repair is £20 or less (viewed as 'trivial')



Public Bus Services



- The benefit to employees of employers paying operators to improve public bus services to your site(s) are tax free.
- Contracts with bus operators can include discounted or free fares for staff.
- The employer may also subsidise a season ticket for the route/service
- **BUT** - this exemption is limited to the particular bus service for which the employer provides financial or other support



Taxable Travel Plan Incentives



- Payments to give up car parking rights ('Cashout')
- Vanpools
- Any other cash incentives
 - (prize draws seen as 'trivial')
- Subsidies to train, tram or Tube fares - or bus fares where there is no contract with the operator
- Flexible schemes (vouchers, points 'Green Miles') need to be carefully designed....
 - They could be taxable on the **whole package** if they contain a mix of taxable and tax exempt measures
 - VAT is payable on the vouchers ([recent ruling](#))





Travel Substitution

- Provision of equipment to homework is tax free (even if there is incidental private use, because there is no additional cost to the employer associated with private use)
- Any cash payments to incentivise homeworking and teleconferencing liable to tax (unless a 'trivial' prize draw etc)

Delivering the tax benefit



An employer can either:

- Provide the tax-exempt commuting benefit for free (e.g. free parking, free contract bus service etc)

OR

- Arrange for the employee to pay for a tax-exempt commuting benefit through a salary sacrifice scheme (effectively paying out of pre-tax income)

Salary Sacrifice Schemes



- Salary Sacrifice can be used to purchase anything subject to a tax concession.
- But is only worthwhile on largish discrete items/services
- Can be effectively used for:
 - Annual car parking permits
 - Bicycles
 - Fares on contract bus services





Bike to Work Salary Sacrifice

- 2009 Employeebenefits.co survey indicated that 25% of respondents had a Bike to Work scheme available
 - (20% had access to ‘tax efficient parking’ and 31% had access to season ticket loans)
- Association of Cycle Traders said the Bike to Work Scheme was a major factor in 20% cycle sales growth in 2009, but of the 1m bikes sold by Halfords, only 34,000 were through the Bike to Work Scheme
- HMRC tightened the concession:
 - Cycles and equipment should be available to all employees
 - [Valuation guidance](#) now provided when cycle is sold to an employee after the loan has ended



HMRC Bicycle Acceptable Disposal Valuation Table

Age of cycle	Original price under £500	Original price £500 or more
1 year	18%	25%
18 months	16%	21%
2 years	13%	17%
3 years	8%	12%
4 years	3%	7%
5 years	Negligible	2%
6 or more years	Negligible	Negligible

Source: <http://www.hmrc.gov.uk/manuals/eimanual/EIM21667a.htm>

Bus Pass Salary Sacrifice



- The 2003 exemption is for particular bus service(s) the employer supports
- Some LAs started to offer their staff bus passes through salary sacrifice on the basis that they supported bus services in their area (bent the concession)
- But then bus pass salary sacrifice schemes were offered by operators, through some LA group travel plans and private employee benefit companies such as Motivano and P&MM
- In Employeebenefits.co survey: 4% *offered* bus salary sacrifice





A narrow concession

- From December 2009 HMRC clamped down on non-compliant bus pass salary sacrifice schemes
- The 2003 tax concession only permits the use of a salary sacrifice on the particular bus service the employer supports, so any ticket needs to be route specific
- Almost all bus operators only provide area-based monthly and annual passes.
Providing a route-specific season ticket would not be worth their while
- Possibly viable for large schemes of bus support
- See [HMRC guidance](#)

Business Travel



- Some travel plans include business travel
- Mileage expenses for use of employee's own vehicles, has a tax-free limit of:
 - 45p/mile car mileage rate
 - Additional 5p a mile for car passengers
 - 24p mile for motorcycles
 - 20p a mile cycle mileage rate
- The passenger rate can also be claimed for volunteers as well as other employees
- Few (20%) employers encourage car sharing for business by paying a passenger rate



Current Issues



1. Some tax concessions require care while others are very straightforward
2. Public Bus salary sacrifice – not currently workable
3. Tightening of bicycle benefits still leaves reasonable tax exemptions
4. The ‘trivial’ bicycle concession can cover most ‘Dr Bike’ style support
5. Corporate incentives are needed to engage businesses
6. There are opportunities to ‘green’ business travel, which can be tax and cost effective, but are little used



Advice and Guidance

- Potter, Stephen (2008 – 2011 update soon): *Tax and Travel Plan Measures*, National Business Travel Network Advisory Note 1: http://www.nbtn.org.uk/NBTN_ADVISORY_NOTE_1.pdf
- HMRC Expenses and Benefits A to Z – very useful <http://www.hmrc.gov.uk/paye/exb/a-z/a/index.htm>
- HMRC: *Expenses and Benefits: A Tax Guide*. (download from: <http://www.hmrc.gov.uk/guidance/480.pdf>)
- DfT *Cycle to Work Implementation Guidance*: <http://www.dft.gov.uk/pgr/sustainable/cycling/cycletoworkschemeimplementationat5732>
- Public Bus services exemption guidance: <http://www.hmrc.gov.uk/manuals/eimanual/eim21855.htm>
- Check with your local Inland Revenue Office