



WARNING

HMRC has agreed special taxation procedures for payments of travel and lodging allowances under the National Working Rules of the JIB (“NWRs”). Always consider whether you are paying allowances to employees in strict accordance with the National Working Rule Agreement with the JIB. Seek help from the ECA or JIB if you require assistance.

If you are audited by HMRC and there are queries about the status of the JIB agreement with HMRC there is guidance about the Working Rule Agreement in the HMRC Manual at EIM71326 .

This document is intended to give general advice and guidance on the particular subject; it is not a definitive statement of the law. If in doubt, consult the ECA Employee Relations Department or the JIB’s Industrial Relations Department.

1. The application of guidance in this booklet

The agreements made with HMRC allow payments under the NWRs to be made free of tax and NIC, and **only** cover payments made under the NWRs. The agreements do not cover larger or smaller allowances or any allowances made in circumstances that vary from the precise circumstances set out in those rules.

Payments made that are not strictly in accordance with the NWRs for travel and lodging to employees are taxable unless they are covered by receipted claims from the worker and are covered by specific legislation.

If you wish to pay allowances greater or smaller than those in the NWRs you should consult your own tax adviser or consider the HMRC guidance to be found on their website. Taxation is a complex area and care must be taken in order to ensure that companies do not fall foul of tax legislation.

HMRC operates a scheme which allows employers to pay an amount per mile free of tax to an employee who uses their own vehicle for work. This scheme is known as Approved Mileage Allowances (AMAP) and details are available on the HMRC website <https://www.gov.uk/tax-relief-for-employees/business-mileage-fuel-costs>. The current mileage rates payable within the AMAP legislation have been in place from 2011-12 tax year to date.

The AMAP rules must not be used under the JIB's special tax procedures to pay for a home to work journey for employees who are locally recruited and are travelling to their regular base.

Employers cannot pay tax free NWR allowances for journeys made in an employee's own vehicle and pay tax free Approved Mileage allowances for the same journeys. In other words, employers must not pay two separate allowances for the same journey.

A summary of the taxation of travel and lodging allowances under the JIB National Working Rules is provided at **Appendix A**. For details of whether any travel or lodging payment is due, employers should refer to the JIB Agreement.

2. National Insurance contributions

NI contributions must be deducted on all payments which are taxed.

3. Payments for travel

BACKGROUND

Until 2nd January 2017, there were two payments for travel payments – a taxable Travelling Time payment and a non-taxable Travel Allowance payment. From 2nd January 2017, these were replaced by two new payments based on mileage – Mileage Rate and Mileage Allowance.

MILEAGE RATE

Mileage Rate payments are for the time spent travelling and, therefore, are **always** taxed.

SHOP RECRUITED OR LOCALLY ENGAGED EMPLOYEES – WHAT ARE THEY AND WHY DOES IT MATTER?

For employees who are locally engaged employers can pay Mileage Allowances under the NWRs but they must be taxed. In these circumstances, the employees have a local place of work and tax law expects them to pay for their own home to work journey and travel to workplaces in the vicinity of their home out of taxed employment income. That is like any other commuter.

For employees who are shop recruited, they are recruited to work on numerous sites around a large geographical area and HMRC does not expect them to pay travel costs out of their taxed income. Mileage Allowances to shop recruited employees are paid tax free.

It is therefore important that you know and understand the difference between an employee who is locally engaged and one who is shop recruited. Sometimes employees who started as locally engaged can be transferred to another job more than 25 miles from the job on which they were initially engaged.

Under the terms of the NWRs, they should, at that point, be offered a new contract of employment on a shop recruited basis. If an employer does not make this offer, or if an employee refuses the change to the contract, HMRC may regard the employee as still locally

engaged. Any payments to the employee for lodging or fares allowances would then be wholly taxable.

4. Employer provided transport

For 'Transport Provided' employees there is no entitlement to Mileage Allowance.

An employee who refuses to use such transport is not entitled to Mileage Allowance. (employees who consider that the transport is unsuitable or unreasonable may pursue a complaint through the JIB Disputes Procedure.)

5. Employees using their own transport

'Own Transport' employees travelling to jobs which are over 15 miles from the Shop are entitled to Mileage Allowance under the NWRs (Working Rule 11). If they are locally engaged this will be taxed. If they are shop based this will be tax free.

6. Lodging allowances

Before a Lodging Allowance can be paid free of tax a lodging certificate (see **Appendix B**) must be completed and signed. Lodging certificates are an **essential**, not an optional, part of the agreement for tax free payment. The payment of an un-taxed Lodging Allowance without a completed and signed lodging certificate may result in the employer being held liable for tax due.

The certificates should be reviewed at regular intervals with the employee concerned to ensure that the information held is correct and up to date. Failure to do this may also result in the employer being held liable for tax on the allowances.

Employers who choose to use some other system of paying for accommodation (for instance, refunding a hotel bill instead of getting a lodging certificate and then paying a NWR allowance) may well find themselves held to be liable for tax on the un-taxed payments unless they hold completed claims sheets with receipts attached to show that the amount paid to the employee was actually incurred.

APPENDIX A

Summary of Taxation of travel and lodging payments under JIB national Working Rules (NWR)

ANY MILEAGE RATES DUE ARE FULLY TAXABLE

Shop Recruited Employees

NWR

Shop Recruited employees booking on and off at the shop:

Mileage Allowance between Shop and job - Not Taxable

11.2 Shop recruited employees booking on and off at the job:

Mileage Allowance between Shop and job - Not Taxable
Mileage Rate between Shop and job - Wholly Taxable

11.3.1 Lodging Allowance - Not Taxable if a lodging certificate is completed and signed

11.3.2 Mileage Allowance and Mileage Rate between lodging and job when employer is satisfied that suitable lodging is not available within 15 miles of the job:

Mileage Allowance - Not Taxed
Mileage Rate - Wholly Taxed

11.3.6 Retention Payments (Annual Holiday) - Not taxable
Subject to evidence of actual payment

Retention Payments (Weekend) - Not taxable –
subject to evidence of actual payment

Locally Engaged Labour

NWR

11.5 When employees travel from their homes to the site on which they were initially engaged:

Mileage Allowance (between home and the job). - Taxable

Mileage Rate - Taxable

When employees travel between home and second or subsequent jobs within 25 miles radius of the initial job, to which transferred by the employer:

Mileage Allowance (between home and the job) - Taxable

Mileage Rate - Taxable

APPENDIX B

Application for Lodging and Subsistence Allowance Paid under the National Working Rules

Employer's Name

.....

Employer's Address

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.....

.....

Employee's Name

.....

Date **Employers pay ref** **NIC No**

.....

To be completed by employee.

I certify that my permanent home address is

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.....

This is where I normally live. I would travel to work from this address if I had not been given work away from home. The distance I have to travel to the allocated project means that I will live away from home for the length of the project during the working week.

My temporary address is

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My temporary site is at

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Please read and complete Section A first. Lodging allowance can only be paid free of tax if Section A is completed, and then only if the employee is expected to be on any one site for less than 12 months.

- A.** I have been sent by my employer to work at the above temporary place of work which is over 35 miles from my employer's shop, and where I have to book on and off daily, I have had to incur additional living expenses by taking lodging at the above temporary address.

Yes Signed

Once an employee is expected to work on one site for more than 12 months, lodging allowance can only be paid free of tax if Section B or C is completed as well as Section A.

B. I have the following dependants living at my permanent address (wife/husband, common law wife/husband of two years or more, civil partner, dependant child under 18).

(Names)

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B. I have no dependants but I have to pay the costs of keeping up a permanent home in the UK while I work away on site. (For example I pay rent or a mortgage, or the costs of gas, electricity, water and council tax to keep my home.)

Yes Signed

I understand that if I sign this form and the statements made on it are not true I will be liable for tax on the lodging/subsistence allowances paid to me.

I agree to tell my employer and HMRC of any change which affect this statement.

Signed **Print Name**

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To Be Signed By Employer

I confirm that the permanent address given above by
(employee's name)

is the address at which we understand they live and is being used as their home address for our personnel records.

Signed **Date**

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Role in Employer's company

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