

SCHEDULE 3

PAYMENTS TO BE DISREGARDED IN THE CALCULATION OF EARNINGS FOR THE PURPOSES OF EARNINGS-RELATED CONTRIBUTIONS

PART VIII

TRAVELLING, RELOCATION AND OTHER EXPENSES AND ALLOWANCES OF THE EMPLOYMENT

Travelling, relocation and incidental expenses disregarded

1. The travelling, relocation and other expenses and allowances mentioned in this Part are disregarded in the calculation of an employed earner's earnings.

Relocation expenses

2.—(1) A payment of, or contribution towards, expenses reasonably incurred by a person in relation to a change of residence in connection with the commencement of, or an alteration in the duties of the person's employment or the place where those duties are normally to be performed is disregarded if the conditions in sub-paragraphs (2) to (6) are met.

(2) The first condition is that—

(a) the payment or contribution—

(i) is not, by virtue of Schedule 11A to the Taxes Act (removal expenses and benefits)(1) regarded as an emolument of the employment for any purpose of Case I or Case II of Schedule E; or

(ii) would not have been so regarded, but is in fact disregarded for that purpose by virtue of another provision of the Taxes Act; or

(b) the person concerned commenced performance of the duties, or altered duties, of his employment at the place, or the altered place, of their performance before 6th April 1998.

(3) The second condition is that the change of residence must result from—

(a) the employee becoming employed by an employer;

(b) an alteration of the duties of the employee's employment (where his employer remains the same); or

(c) an alteration of the place where the employee is normally to perform the duties of his employment (where both the employer and the duties which the employee is to perform remains the same).

(4) The third condition is that the change of residence must be made wholly or mainly to allow the employee to have his residence within a reasonable daily travelling distance of—

(a) the place where he performs, or is to perform, the duties of his employment (in a case falling within paragraph (3)(a));

(b) the place where he performs, or is to perform, the duties of his employment (in a case falling within paragraph (3)(b)); or

(c) the new place where he performs, or is to perform, the duties of his employment (in a case falling within paragraph (3)(c)).

(1) Schedule 11A was inserted by section 76 of, and paragraph 2 of Schedule 5 to, the Finance Act 1993.

Status: This is the original version (as it was originally made).

References in this sub-paragraph and sub-paragraph (5) to the place where the employee performs, or is to perform, the duties of his employment are references to the place where he normally performs, or is normally to perform, the duties of the employment.

(5) The fourth condition is that the employee's former residence must not be within a reasonable daily travelling distance of the place where the employee performs or is to perform the duties of the employment.

(6) In a case to which sub-paragraph (2)(b) applies, expenditure incurred in pursuance of a contract or agreement entered into before 6th April 1998 does not, in the case of a contract or agreement varied at any time on or after that date, include so much of the expenditure incurred under that contract or agreement which would not have been incurred, or exceeds the amount of expenditure that would have been reasonably incurred, if that contract or agreement had not been so varied.

(7) For the purposes of this paragraph, Schedule 11A to the Taxes Act shall be read as if paragraphs 3(3), 4(3), 6 and 24 were omitted.

Travelling expenses—general

3. A payment of, or a contribution towards, qualifying travelling expenses which the holder of an office or employment is obliged to incur and defray out of the emoluments of the office or employment.

For the purposes of this paragraph—

- (a) “qualifying travelling expenses” means—
 - (i) amounts necessarily expended on travelling in the performance of the duties of the office or employment; or
 - (ii) other expenses of travelling which are attributable to the necessary attendance at any place of the holder of the office or employment in the performance of the duties of the office or employment and are not expenses of ordinary commuting or private travel (within the meaning of paragraph 2 of Schedule 12A to the Taxes Act⁽²⁾);
- (b) paragraphs 1(2) and 2 to 7 of that Schedule shall apply as they apply for the purposes of section 198(1A)(b) of that Act (relief for necessary expenses)⁽³⁾;
- (c) expenses of travel by the holder of an office or employment between two places at which he performs the duties of different offices or employments under or with companies in the same group are treated as necessarily expended in the performance of the duties which he is to perform at his destination; and
- (d) for purpose of sub-paragraph (c) companies are to be taken to be members of the same group if and only if—
 - (i) one is a 51 per cent subsidiary of the other; or
 - (ii) both are 51 per cent subsidiaries of a third companywithin the meaning of section 838(1)(a) of the Taxes Act (subsidiaries).

Travel and foreign travel expenses of overseas employees

4. A payment of, or a contribution towards, expenses which are deductible from the emoluments of the employment which are chargeable to tax under Schedule E under—

- (a) section 193(3), (4) or (6) of the Taxes Act (travel expenses where duties of office or employment are performed wholly or partly outside the United Kingdom); or

⁽²⁾ Schedule 12A was inserted by section 61(2) of, and Schedule 10 to, the Finance Act 1998.

⁽³⁾ Section 198(1A) was substituted by section 61(1) of the Finance Act 1998.

- (b) section 194(1) of that Act (foreign travel expenses where duties of office or employment are performed wholly or partly outside the United Kingdom.

or which would be so deductible if the emoluments of the employment were chargeable to tax under Schedule E.

Travel expenses of employees not domiciled in the United Kingdom

5. A payment of, or a contribution towards, expenses which are deductible from the emoluments of the employment which are chargeable to tax under Schedule E under section 195(7) of the Taxes Act (travel expenses of employees not domiciled in the United Kingdom) or, where the emoluments are not chargeable under Schedule E, would be so deductible if the emoluments, of the employment were so chargeable.

Travelling expenses of workers on offshore gas and oil rigs

6. A payment of, or a contribution towards, expenses where that payment or contribution is disregarded for the purposes of calculating the emoluments of the employment which are charged to tax under Schedule E under Inland Revenue Extra-Statutory Concession A 65 (workers on offshore oil and gas rigs or platforms; free transfers to or from mainland).

Incidental expenses in connection with cars provided for private use

7. A payment—

- (a) by way of the discharge of any liability which by virtue of section 157(3)(a) of the Taxes Act (car available for private use); or
(b) of expenses, which by virtue of section 157(3)(c) of that Act;

is not treated as an emolument of the employment chargeable to income tax under Schedule E.

Car parking facilities

8. A payment of, or a contribution towards, the provision of car parking facilities at or near the earner's place of employment which, by virtue of section 197A of the Taxes Act⁽⁴⁾, is not regarded as an emolument of the earner's employment.

Specific and distinct payments of, or towards, expenses actually incurred

9. For the avoidance of doubt, these shall be disregarded any specific and distinct payment of, or contribution towards, expenses which an employed earner actually incurs in carrying out his employment.

Council tax on accommodation provided for employee's use

10. A payment of, or a contribution towards meeting a person's liability for council tax in respect of accommodation occupied by him and provided for him by reason of his employment if by virtue of section 145(4) of the Taxes Act (living accommodation), he is not liable to tax under Schedule E in respect of the provision of that accommodation.

This paragraph does not extend to Northern Ireland.

(4) Section 197A was inserted by section 46(4) of the Finance Act 1988. Section 49(1) of the Finance Act 1999 extends its scope to cycle parking facilities.

Status: This is the original version (as it was originally made).

Rates on accommodation provided for employee's use

11. A payment of, or a contribution towards meeting, a person's liability for rates in respect of accommodation occupied by him and provided for him by reason of his employment if by virtue of section 145(4) of the Taxes Act (living accommodation), he is not liable to income tax under Schedule E in respect of the provision of that accommodation.

This paragraph extends only to Northern Ireland.

Foreign service allowance

12. A payment by way of an allowance which is not regarded as income for any income tax purpose by virtue of section 319 of the Taxes Act (Crown servants: foreign service allowance).

Commonwealth War Graves Commission and British Council: extra cost of living allowance

13. A payment by way of an allowance to a person in the service of the Commonwealth War Graves Commission or the British Council paid with a view to compensating him for the extra cost of living outside the United Kingdom in order to perform the duties of his employment.

Overseas medical treatment

14. A payment of, or a contribution towards, expenses incurred in—
- (a) providing an employee with medical treatment outside the United Kingdom (including providing for him to be an in-patient) in a case where the need for the treatment arises while the employee is outside the United Kingdom for the purposes of performing the duties of his employment; or
 - (b) providing insurance for the employee against the cost of such treatment in a case falling within sub-paragraph (a).

Here "medical treatment" includes all forms of treatment for, and all procedures for diagnosing, any physical or mental ailment, infirmity or defect.