

# Tax and Travel Plan Measures

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The tax situation for Travel Plans is one area that can cause problems, but at the same time should also be seen as an opportunity to promote a Travel Plan. It is a problem because, in general, the tax system treats employer support for commuting as taxable 'income in kind'; it is an opportunity because most Travel Plan benefits are specifically exempt. Thus you can promote your Travel Plan as offering a tax free benefit to staff. However, you do need to make sure you know if the measures in your Travel Plan are tax exempt or not.

This issue only applies to Travel Plan benefits received by *employees*. For non-employees, such as students, customers or visitors, Travel Plan benefits are not a tax issue.

The following is a summary of the situation regarding Income Tax and National Insurance Contributions (NICs) for major Travel Plan measures.

## ***Bus Services***

Tax and NI free benefits are:

- Employer provided works buses with 9 or more seats
- An employer negotiated discount with a bus company passed on to employees.
- Interest free loans (as long as the total does not exceed £5,000 per annum) to buy season tickets
- Employer subsidised public bus services where the employer has a contract with the operator. The contract can include service enhancement and also discounted or free fares for staff.

It is important to note that the tax concession for employer subsidised reduced or free fares on local buses is only when an employer has a contract with the bus operator. Other ways to subsidise tickets are still taxable - for example if an employer simply buys up stocks of tickets and gives them out free or at a subsidised rate. If they do that, tax will be due on the cost to the employer of buying the ticket unless the employee makes good the full cost to the employer.

There can be an issue if a local Tax Inspector feels that the Travel Plan is providing benefits beyond commuting. This can apply if the contract with the bus operator involves providing travel passes that are valid across a whole town rather than being route specific. One way around this is that you can arrange the contract with your bus operator to involve special tickets that are valid only on the routes (and main feeder routes) to your site. Some employers simply have a contract whereby staff passes are accepted on routes to their sites. Alternatively a Tax Inspector may accept the argument that, allowing for the need to change buses, you would need to cover all the routes in an area pass. This is one situation where, although there is a tax concession, it is very worthwhile checking with your local Tax Inspector to make sure you get it right.

### ***Other Public Transport*** **(Trains, Tube, Metro, Trams, Ferries etc)**

The following are tax and NIC free for any public transport mode:

- Passing on discounts for bulk purchased tickets to employees (but not selling to employees for less than the cost to the employer)
- Any negotiated fares reductions with bus operators
- Interest free loans (as long as the total does not exceed £5,000 per annum) to buy season tickets.

Any other support for commuting remains taxable, including:

- Subsidies to train, tram, ferry or Metro and Tube fares
- Bus fares where there is no contract with the operator
- Tickets covering routes not serving your site.

The only exception to this is if an individual employee travels sufficiently for business on public transport such that it is cheaper for them to be provided with a season ticket (i.e. the cost of the season ticket is no more than the individual business journeys would have cost if they were paid for separately). In such circumstances the employee can also use the season ticket for commuting without being liable to tax and NICs.

### ***Bicycles***

The loan of cycles and cycle safety equipment are entirely exempt, with no ceiling on their value provided that:

- There is no transfer of ownership of the cycle or equipment from the employee to someone else
- Employees use the equipment mainly for qualifying journeys; i.e. for journeys made between home and the workplace, or part of those journeys (e.g. to the station), or for journeys between one workplace and another
- The employer makes cycles and equipment generally available to all employees (even if not all employees participate)

Tax law does not define the meaning of 'cyclists' safety equipment' and the DfT advocate a common sense approach and say this could include:

- Cycle helmets which conform to European standard EN 1078
- Bells and bulb horns

- Lights, including dynamo packs
- Mirrors and mudguards to ensure riders visibility is not impaired
- Cycle clips and dress guards
- Panniers, luggage carriers and straps to allow luggage to be safely carried
- Locks and chains to ensure cycle can be safely secured
- Pumps, puncture repair kits, cycle tool kits and tyre sealant to allow for minor repairs
- Reflective clothing along with white front reflectors and spoke reflectors

The provision of cyclists' breakfasts is also specifically tax-exempt, as is workplace parking for bicycles (and parking for motorcycles and cars).

If employers want to loan cycles to their employees, tax free, but need to cover their costs of buying the cycles, they can set up a *Cycle to Work Scheme*. This works by the company buying the cycle and then loaning it to the employee usually for 18 months. The employee agrees to a change in their terms and conditions of employment relating to pay which means that they give up their right to an amount of their salary in exchange for the loan of a cycle which is exempt from tax as a benefit in kind. At the end of the period the employee may be given the option to buy an ex-loan cycle from their employer.

Providing the employee pays the fair market value for the cycle no tax will be due when ownership of the cycle transfers from the employer to the employee. The employee can therefore save money as employers will often not pass on the cost of the VAT due on the cycle when new. Furthermore, employees can save a further 22 per cent in income tax and up to 11 per cent NI contributions on the salary they have sacrificed in exchange for the loan of a cycle. There are a number of companies that offer *Cycle to Work* package deals, including Halfords and Boost.

Interest free loans to buy cycles are also tax exempt from tax providing the total of all loans outstanding with the employer do not exceed £5,000.

Cycle maintenance and rescue services, however, remain tax able. This can affect 'Dr Bike' type provisions and cycle rescue services, a group scheme may have a low cost per head so if you are uncertain about whether the arrangements you plan are liable for tax contact your local tax inspector.

### ***Carshare Backup***

Emergency and alternative backup 'get-you-home' transport for car sharers is tax-exempt (up to 60 trips a year)

### ***Temporary and Insubstantial Benefits***

Temporarily provided Travel Plan measures (e.g. if commuting benefits are provided to people who are moved to another site during an office refurbishment) have a tax exemption, but again you should consult your local Tax Inspector.

An important point is that a number of measures which are not legally exempt from tax and NICs may be sufficiently insubstantial that a Tax Inspector would not actually charge tax on the benefit, because the cost of collecting the tax is disproportionate to the tax due. What constitutes 'insubstantial' is left to the common sense of each Tax Inspector. So, if

you are offering a benefit that does not have a specific exemption, but seems small in cash value, then it is very worthwhile to check with your local Tax Inspector.

### ***Other Taxable Measures***

A number of Travel Plan measures remain in the tax net. These include:

- Payments to give up car parking rights
- Vanpools
- Any other substantial or regular cash incentives. However this does not include prize draws linked to Travel Plan participation, which, within reason, would be viewed as an ‘insubstantial benefit’.

### ***Package Schemes***

If you operate a package scheme (using vouchers, points or ‘Green Miles’ that can be spent on commuting costs), these need to be carefully designed as they could be taxable on the whole package if they contain a mix of taxable and tax exempt measures. It is best to have a package of exempt and agreed insubstantial benefits, and keep any taxable ones separate.

### ***Business Travel***

Business travel is a totally different situation in that this is part of a person’s job and so has always been tax exempt unless limits are passed (e.g. the maximum ‘mileage rate’ for using cars. Some recent measures now favour a ‘greening’ of business travel, which could form part of a Travel Plan, these include:

- Single 40p/mile car mileage rate
- 20p a mile cycle mileage rate
- 5p a mile per car passenger rate (in addition to driver’s rate)

Linking a Travel Plan to restructuring mileage rates and promoting the car passenger rate can produce big savings to an organisation. Some now offer a lower basic mileage rate in order to offer a high (10-15p/ mile) passenger rate.

### ***Tax Information and Advice***

With care, most Travel Plan measures can be provided tax-free. The main areas where tax remains an issue are employer subsidies to non-bus public transport fares, parking cash out and bicycle maintenance. If you feel the tax position of a Travel Plan measure is unclear then do consult your local Tax Office.

The HM Revenue & Customs has a (rather sketchy and not very useful) ‘green travel’ factsheet on its Website:

<http://www.hmrc.gov.uk/greentransport/index.htm>

Their site is less detailed than this article, which is rather unfortunate. However, full details on the tax position of travel benefits are found within the pages of:

HM Revenue & Customs (2005): *Booklet 480 Expenses and Benefits*

This is best used in its electronic version, which you can search by keywords, and is downloadable from:

**<http://www.hmrc.gov.uk/guidance/480.pdf>** (accessed, January 2007)

The DfT Cycle to Work Implementation Guidance is downloadable from:

**[http://www.dft.gov.uk/stellent/groups/dft\\_susttravel/documents/page/dft\\_susttravel\\_038228.hcsp](http://www.dft.gov.uk/stellent/groups/dft_susttravel/documents/page/dft_susttravel_038228.hcsp)** (accessed, January 2007)

Check with your local HM Revenue & Customs Office if in doubt when developing a Travel Plan measure.