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Taxation of employee expenses

Call for Evidence Response by KPMG LLP

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1 Introduction and summary

1.1 **We have set out below our response to HM Treasury's (HMT) call for evidence on the taxation of employee expenses.**

1.2 **Employer Policy**

- 1.2.1 The factors which influence employers' expense policies are manifold. While the employment tax rules are an influencing factor, other considerations such as industry norms and commercial viability are integral to the formulation of expense policies.
- 1.2.2 While most would accept that a core principle should be that employees are made whole for expenditure incurred in performing their duties of employment, employers have in recent years faced an increasing 'employment wedge' from the introduction of the Apprenticeship Levy, an increase in Employer's NIC and the costs associated with auto-enrolment. And all against a backdrop of a straitened economic climate.
- 1.2.3 As a result some employers have realigned their expense policies to share the burden with employees. It therefore no longer necessarily follows that an employee will be made whole at all, irrespective of the tax position. This may be playing some part in the recent increase in claims that HMRC have witnessed.
- 1.2.4 In other cases however, employers may make the decision to reimburse expenses which are not covered by a tax relief but which they feel are integral to retaining certain staff. The employer may also seek to cover the associated liability tax/NIC via a PSA (subject to HMRC's agreement).
- 1.2.5 In summary, there is not one single criterion which shapes employers' expense policies. It is dependent on the sector, competitor policies, industry norms, corporate values and a whole range of other factors to a greater or lesser extent.

1.3 **Claiming Tax relief**

- 1.3.1 Where an employee incurs business expenses which are not reimbursed by their employer, in general they are not provided with information by their employer on how to claim relief on these expenses from HMRC. Instead employees are typically required to investigate the reclaim process themselves or, alternatively, use an agent.
- 1.3.2 We believe that the user journey for employees seeking to reclaim tax could be simplified and made more user-friendly. The current user journey may be causing taxpayers to fall away before completing their reclaims or, alternatively, causing them to incur the cost of an agent.
- 1.3.3 With the introduction of the Personal Tax Account and the move to Making Tax Digital, we strongly recommend that HMRC undertakes extensive user testing with taxpayers of all digital abilities, to ensure the development of a clearer, more intuitive experience.

1.4 **Changing Landscape**

- 1.4.1 The changing landscape of modern work continues to evolve. It may be that nothing radical has changed in the nature of expenses incurred by employees but there is clearly change at the margins involving the gig economy, home working and working from multiple offices.

- 1.4.2 We think there should be a broader review of the travel and subsistence rules alongside the international traveller rules and homeworking expenses. These are the areas where the existing framework of tax relief is commonly felt to be falling behind modern working practices.
- 1.4.3 We also believe that the rules on work related training merit reconsideration. Currently, an exemption is only available when the employer incurs the cost but with increasing automation and technological advances generally, it is clear that more and more individuals will need to retrain over the course of their working lives. Careers for life, like jobs for life, can no longer be taken for granted and it may be time to consider what support should be available.
- 1.4.4 These issues go to the heart of modern working practices and any review of employee expenses should be done as part of the development of a wider employment taxes roadmap, which we strongly believe is required following the recent publication of the Taylor Review.

2 Survey

- 2.1 In order to gather direct feedback from employers to supplement our own practical experience, the [KPMG Employers'](#) Club ran an online survey between 1 May and 22 June 2017. In total there were 75 respondents from varying industry sectors and employee numbers. The largest employers surveyed had over 500 employees while the smallest had fewer than 10 employees.**
- 2.2 We have included the survey data in the appendices as follows:**
- Appendix 1 – Summary of responses to all questions.
 - Appendix 2 – Analysis of responses to each question by sector.
- 2.3 Throughout our response we also incorporate findings from the survey where relevant.**

3 Our responses to the detailed questions

3.1 Question 1:

- **What expenses do employers pay for or reimburse?**
- **Does this vary between employees, for example, employees on different salaries or on different types of contract?**
- **Are there different practices in different sectors?**
- **Please set out your expense policy (if applicable).**

3.1.1 Employers meet the cost of a wide range of expenses incurred by employees in the day-to-day performance of their duties. By way of illustration, the following is a non-exhaustive list of employment-related expenses which will typically be met by employers:

- Business telephone calls;
- Business and staff entertaining;
- Office supplies;
- Professional subscriptions;
- Relocation expenses;
- Staff gifts and awards;
- Travel and subsistence expenses including:
 - Business mileage and other expenses related to the use of a vehicle for business purposes (as covered by the Approved Mileage Allowance Payments (AMAP) legislation at s.229 ITEPA 2003);
 - Flights, train and taxi travel;
 - Hotel or other residential accommodation;
 - Meals whilst away from home on business;
 - Incidental overnight expenses (e.g. dry-cleaning or a newspaper in the morning);
- Uniforms and uniform cleaning costs; and,
- Work related training costs.

3.1.2 Our survey identified travel and subsistence related expenses as the most commonly reimbursed category across all sectors.

3.1.3 In many cases, such expenses would be covered by the business expenses exemption (s.289A ITEPA 2003), however some travel may constitute ordinary commuting and meals may be taken at or near an employee's permanent workplace. Where this is the case, the resultant tax liability may or may not be met by the employer.

3.1.4 In our experience, almost all employers will have a written expense policy, though the level of detail in such policies often varies from one business to the next. This was borne out by our survey, with almost 88% of respondents confirming that they operate a formally documented expense policy.

3.1.5 Such policies may, on occasion, specify differences in permissible expenses across various staff grades or circumstances (e.g. directors are always permitted to travel in business class, whilst employees may only do so on flights of greater than six hours' duration). Notwithstanding this, 88% of our survey's respondents advised that their policy did not vary across grade and by way of example we know of businesses which require all staff to fly economy class regardless of their seniority and the flight's duration, as a

conscious reflection of the general ethos of the business. Respondents who said that their policy did vary across grade were most likely to be found in the Services and Utilities sectors.

3.2 Question 2:

- **How do employers set expense policies?**
- **For example, is the type and level of expenses that will be reimbursed set out in contracts, through informal arrangements or on a case by case basis?**
- **What are the main factors employers consider when deciding whether to reimburse an expense?**
- **If employees are incurring expenses that would be eligible for tax relief, why might the employer not reimburse the expense or not reimburse the expenses in full?**
- **What do employers who don't reimburse tell their employees about claiming tax relief?**

3.2.1 Employers will typically set out a written expense policy to provide employees with clear guidance on those expenses which they are prepared to meet. The policy is often also used to set out the process for booking travel and accommodation, particularly where specific airlines or hotel chains offer preferential rates, or a third party booking agent is used.

3.2.2 As a general principle, organisations will seek to ensure that the policy only covers those expenses which it considers to have been incurred for business purposes. Naturally however, on occasion this will extend beyond the more limited parameters for qualifying business expenses set out in employment tax legislation.

3.2.3 On occasion KPMG does advise employers developing a new expense policy. In such cases, advice is typically sought by the employer on:

- The interaction of employment tax legislation with the terms of the policy; and,
- Benchmarking its provisions against those of other organisations of a comparable size and/or industry sector.

3.2.4 Some smaller employers and owner-managed businesses may adopt a less formal approach, although the guidance in HMRC's Booklet 480¹ will on occasion be used to provide direction on the scenarios in which qualifying business expenses may be reimbursed.

3.2.5 A business will meet the cost of its employees' expenses for a wide range of reasons, including, for example:

- Ensuring an employee will not be out of pocket for expenses incurred while carrying out their job;
- Alignment with the company's values and supporting employee engagement;
- Protecting employee retention by aligning themselves to competitors and industry expected standards. Our survey showed 67% of respondents used industry norms to guide which items to include in their expense policies; and
- Where HMRC benchmark figures are available or bespoke scale rates² have been agreed for the tax-free payment of expenses.

¹ Booklet 480 – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/585099/480_2016_12_16.pdf

² <https://www.gov.uk/government/publications/payee-employer-expenses-and-benefits-exemption>

- 3.2.6 In cases where an expense item is not fully covered by the employer despite the availability of a tax exemption or relief, reasons may include a desire to protect the financial business model and safeguard value for money within the business – Examples where an employee might bear the cost of a business expense include office supplies such as notebooks, professional subscriptions, car parking at or near the workplace, or out-of-policy travel upgrades.
- 3.2.7 In our experience employment contracts do not usually include provisions covering the reimbursement of specific expense items. Occasional exceptions may include a non-executive director's service agreement specifying that travel and accommodation expenses for attending board meetings will be met by the company, or a new recruit whose relocation package is covered in the terms of their contract. More typically, employee expenses will be covered by policies, working rule agreements with unions or other ancillary agreements to reimburse discrete expenses integrally linked to the employee's duties.
- 3.2.8 As regards information provided to employees about claiming tax relief, employers may or may not comment on the tax position relating to employee claims. In our experience, smaller employers would, in the past, often support employees by providing template expenses claim letters if the business did not have a dispensation in place. However, since the introduction of the business expenses exemption we would not expect this to continue.
- 3.2.9 While some employers consider it helpful to direct employees to consider HMRC's guidance on expenses, other employers understandably prefer not to involve themselves in their employees' personal tax affairs. By way of illustration, our Employers' Club survey sought views on whether organisations provided support or information to employees on how to claim relief from HMRC: in line with our expectations, in the majority of cases the response was negative (No 74%, Yes 19%, Don't know 7%).

3.3 **Question 3:**

- **Do employers pay for employee expenses with cash allowances rather than reimbursing specific expenses?**
- **If so, what factors do employers consider when offering a cash allowance including how much they decide to give.**
- **Do employees receiving a cash allowance claim for relief on expenses?**

- 3.3.1 On occasion an employer will pay a cash allowance to an employee instead of reimbursing actual expenses. Some allowances will be tax/NIC exempt, subject to certain conditions being met, whilst others will simply be treated as general earnings, taxable under s.62 ITEPA 2003.

When deciding whether to pay a cash allowance instead of reimbursing expenses, an employer will typically weigh up the administrative ease of making such payments, together with the availability or otherwise of a tax exemption or relief. Examples of taxable allowances include car allowances, unreceipted relocation allowances and travel allowances intended to cover costs which may be deemed to relate to ordinary commuting. On the other hand, benchmark / bespoke / overseas scale rates, AMAPs and cash advances to be set against receipts may all be paid in qualifying circumstances without a tax/NIC liability arising.

- 3.3.2 Interestingly, our survey showed that 32% of respondents paid cash allowances. However, when viewed sector by sector, only 14% of respondents from the Financial Services sector used cash allowances, whereas 50% of respondents in the Construction and Utilities sectors used such allowances – We believe these findings reflect the greater

need for travel and site-based work in such sectors, which has in turn led to a greater prevalence of travel allowances and the like.

- 3.3.3 As noted above, many employers do not provide guidance to employees on how to go about making personal business expense claims to HMRC. In our survey we asked those who paid a cash allowance whether they believed that their employees claimed tax relief on the underlying expenses – Only 7% thought that their employees claimed such relief if available. However, when viewed sector by sector, 40% of construction industry respondents thought that their employees would do so.

3.4 **Question 4:**

- **What work expenses do employees normally incur?**
- **Please include any data you have on which expenses employees claim for reimbursement from their employer and how frequently employees do this.**

- 3.4.1 Please see our comments above at point 3.1.1.

- 3.4.2 Employees will also incur costs which are not typically reimbursed by employers. For example:

- Home to work travel;
- Lunch (unless there is a free/subsidised canteen or the employee is away from their normal workplace);
- Day-to-day clothes for work;
- Costs of briefcases/holdalls, notebooks, pens and refills, business card holders and document wallets;
- Costs of working from home either outside office hours or as part of an unofficial working from home arrangement; and
- Personally-owned mobile phones.

3.5 **Question 5:**

- **Do employees expect their employers to reimburse expenses?**
- **What factors does this depend on, for example, does the size of the organisation or sector influence employees' expectations?**
- **Do employees influence their employer's expense policy and does whether an employer reimburses or not impact the retention and recruitment of employees?**

- 3.5.1 As a general rule, yes, if an employee is incurring incremental expenses related to their work then they would expect to be kept whole. This principle applies regardless of the sector or size of the business, and may take the form of reimbursement, cash allowance, or possibly a salary increase to take account of the estimated additional expense.

- 3.5.2 Notwithstanding the above, as is the case in existing legislation, there is a distinction to be drawn between expenses which are necessarily incurred, and those which are incurred by the employee as a matter of personal preference. For example, an employee would expect reimbursement for the cost of travelling to a client's office for a meeting, however they would be less likely to expect reimbursement for the cost of purchasing a smart notebook on account of their employer's notepads being of a lesser quality.

- 3.5.3 On a case by case basis an employer may agree to meet the cost of a particular expense for an employee, outside of the normal policy, and this decision may be driven by a desire to attract or retain them. For example, ordinary commuting expenses may be met by an employer for a non- executive director or for an employee who lives a significant distance away from their normal workplace. Likewise, where an expense policy is changed (e.g.

introducing a requirement for employees to meet the cost of replacement office supplies) this can on occasions prove unpopular, and whilst this may not directly impact employee retention, it can nevertheless be a contributing factor.

3.6 **Question 6:**

— **What evidence are employees expected to provide to their employers of their expenses?**

- 3.6.1 Ordinarily a receipt evidencing the expense incurred, either in hard copy or digital format, will be requested by an employer from the employee. Employers would also typically require employees to complete and sign an expense claim form (or electronic equivalent).
- 3.6.2 Our survey results supported this, with 93% of respondents indicating that they require receipts. Those respondents who indicated that they accepted other evidence indicated that they also accepted the following, depending on the nature of the expense and how it had been incurred:
- Corporate credit card statements;
 - Journey reports for business mileage; and
 - Signed confirmation by an employee and/or a line manager in the case of lost receipts.

3.7 **Question 7:**

— **Do employers know of employees who incur expenses which are not reimbursed and which would qualify for tax relief from HMRC?**

— **If so, why are these expenses not reimbursed and do employers know if employees are claiming a tax relief from HMRC?**

- 3.7.1 As noted above, some employers will pay cash allowances to cover costs and therefore not reimburse actual expenses incurred. It is then down to the employee to claim relief for themselves, although in such cases there would nevertheless be an extra cost to both the employer and employee for Class 1 NIC purposes.
- 3.7.2 Where employees are posted away from their normal place of work for a period of a less than two years an employer may limit the amount it is prepared to reimburse for their subsistence and it would then be the individual employee's responsibility to make a claim for relief for the difference from HMRC.
- 3.7.3 Similarly where an employee is required to travel on business by train or plane the employer may only be prepared to reimburse for economy travel, and if the employee wished to upgrade then that would be on their own account.
- 3.7.4 The reasons for employers choosing not to reimburse certain expenses are manifold and will vary from one business to the next. However, regardless of the industry sector, it is clear that employers have faced additional cost pressures over the last decade, such as the introduction of the Apprenticeship Levy, an increase in Employer's NIC and auto-enrolment to name but three examples. Accordingly businesses have sought to partially offset these costs by applying greater rigour to their expense policies.
- 3.7.5 By way of further illustration, some employers will not reimburse professional subscriptions even where the nature of their employees' roles is such that they are expected to be members of professional bodies included on HMRC's List 3. Other employers will make mileage allowance payments, albeit at levels below those prescribed in the AMAP legislation.
- 3.7.6 As regards employees' awareness of the process for making a claim to HMRC in such cases, in our survey we asked the following of employers: *'In your opinion, do you think your employees know the tax rules for expenses and how to claim directly or indirectly*

from HMRC?’ The strong response from respondents was No (No 69%, Yes 11% and Do not know 21%) and was broadly consistent across all sectors.

3.8 **Question 8:**

- **Has the type and amount of expenses employees incur changed in the last 5-10 years and, if so, how and why?**
- **Does this vary by sector or the type of expense?**

3.8.1 The working environment has continued to evolve over the last 5-10 years, most recently with the growth of the ‘gig economy’, and more generally with increased automation and greater internet connectivity. This undoubtedly has led to an increase in flexible working, be it at home, at client sites or whilst travelling. Despite this however, it is difficult to say whether these innovations have had a direct impact on the type and value of expenses incurred during that period.

3.8.2 In respect of business expense claims we would anticipate that HMRC are best placed to form a view on this, given their access to the underlying data. However, our survey respondents generally felt that there had not been a significant change in the amount and type of expenses over the last 5-10 years (Yes 24%, No 55%, do not know 21%). For those who answered yes we asked if they could expand on their view of the changes that have taken place. The following themes were identified:

- There has been a considerable increase in the amount of travel required and a commensurate increase in the associated expense; and
- There had been a shift away from salary sacrifice arrangements in some sectors (for example, travel & subsistence based schemes in the construction sector).

3.9 **Question 9:**

- **Has the type and amount of expenses employers reimburse changed in the last 5-10 years and, if so, how and why? Does this vary by sector or the type of expense?**

3.9.1 Please see our response to Question 8 above.

3.10 **Question 10:**

- **Do you think the scope of the current tax relief for employee expenses reflects the expenses employees have today?**
- **Are there any types of expenses that are currently eligible for relief where that no longer seems appropriate, and why?**
- **Are there any expenses which don't fall within the current exemption which you think should and why?**

3.10.1 In general terms, the available tax relief does reflect the expenses most commonly incurred by employees today. The rules work reasonably well and the long-standing general premise that a qualifying expense must be incurred wholly, exclusively and necessarily for business purposes has stood the test of time.

3.10.2 The rules on detached duty, introduced in 1998, however, may require reconsideration in light of evolving working practices. 44% of respondents to our survey indicated that they did not think the current tax reliefs were consistent with modern working practices, and we also consider that changes to working patterns over the past 10-15 years present areas of difficulty which have yet to be satisfactorily addressed following the Autumn 2015

publication of an HM Treasury travel & subsistence discussion paper and detailed guidance within HMRC's Booklet 490³.

- 3.10.3 For those respondents to our survey who felt that the current rules were no longer consistent with modern practices, we asked if they could elaborate on the reasons for their view. The main themes were as follows:
- The permanent / temporary workplace rules do not fit modern working practices and increased mobility;
 - Mileage rates do not reflect fuel cost increases; and
 - Home working is becoming much more common but the tax system has not kept up.
- 3.10.4 Rules covering the tax/NIC treatment of international travel and subsistence and work-related training provide an exemption or relief where employers incur the cost directly, but not where the employee incurs an expense and it is not reimbursed.
- 3.10.5 This would appear to provide a measure of control over the tax cost to the Exchequer and rests on the view that the litmus test should be whether or not the employer is prepared to fund. To a degree, this is understandable although in times when individuals are increasingly required to fund the cost of their own education and professional training and be agile in the marketplace, some easing on work-related training may now be due.
- 3.11 **Question 11:**
- **Do HMRC's rules on expenses guide employers' expense policies?**
 - **For example, do some employers only reimburse expenses which qualify for a tax relief?**
- 3.11.1 As mentioned above, there are a range of factors which influence an employer's expense policy, and one of these factors would typically be the current employment tax legislation. However, whilst taking this into account, it would be extremely unusual to encounter a policy which only covered expenses for which tax relief was available. Typically we see employers meeting the cost of the following expenses for which relief would not ordinarily be available:
- Staff entertainment, gifts and awards;
 - Non-qualifying relocation costs or qualifying costs in excess of £8,000;
 - Incremental packages for those on detached duty for more than two years (including internationally mobile assignees) such as accommodation, subsistence, school fees etc.
 - Hotel accommodation near the normal place of work where irregular and unusual working hours are required, such as a very late finish or a very early start.
- 3.12 **Question 12:**
- **Do employees know the rules for expenses and how to claim for expenses which are not reimbursed?**
 - **How do employees find this information?**
- 3.12.1 Please refer to our comments above and our survey results at Appendices 1 and 2.
- 3.12.2 Where employers provide guidance to employees on how to claim relief for non-reimbursed expenses, we would expect that this information is to be found on organisations' intranet pages, or within the expense policy. Otherwise, the onus would be

³ Booklet 490 – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/517266/490.pdf

on the employee to search HMRC's website and the wider internet in an attempt to find guidance which may aid them in making a claim.

3.13 **Question 13:**

- **Do employees usually claim directly or indirectly from HMRC?**
- **Why do employees claim in different ways and does this vary by the type of expenses?**
- **Do employees use agents to claim on their behalf?**
- **If so, why do employees do this? How much are they claiming for and how much does it cost to use an agent? Please provide data if possible.**
- **Do you think the use of agents has become more widespread? If yes, why do you think this is the case? Please provide data if possible.**
- **Do employers ever claim a tax relief for expenses which aren't reimbursed from HMRC on their employee's behalf? If so, why?**

- 3.13.1 These are important questions but it is difficult to answer them in any meaningful way without reference to data on employee claims which, presumably, would be held by HMRC. From this data it should be possible to determine who is claiming, how they are claiming, whether an agent is involved, what the claims are for and the amount involved and the relevant tax year to which the claim relates.
- 3.13.2 Prior to the introduction of legislation to counter such arrangements in April 2016, many employers, particularly in the Construction sector, operated arrangements whereby they would agree a tax free daily subsistence allowance with HMRC for employees who were on detached duty (and for periods where tax relief was due).
- 3.13.3 This was often accompanied by a salary sacrifice to balance the books for the employer. The motivation was to highlight the amount of pay attributable to daily subsistence so that it could benefit from the favourable Income Tax and NIC treatment available in these circumstances. However, in recent years it became increasingly difficult to agree an appropriate amount for the daily subsistence allowance, and the introduction of s.289A ITEPA 2003 has essentially curtailed such arrangements.
- 3.13.4 To the extent that employers could no longer agree tax free daily subsistence allowances (and so reinstated a higher salary) it then became necessary for the employees to make their own claims for tax relief, albeit the employer and employee would not be able to claim relief for NIC purposes (although it is understood that some boutique advisers seek to argue otherwise).
- 3.13.5 It is possible that this trend may have played some part in the increase in employee claims over recent years. As noted above, arrangements such as this were fairly commonplace in the Construction sector and their absence may explain, at least in part, an increase in employees' own claims, possibly facilitated by agents. Further investigation would be needed to assess if the effect is material in explaining the 25% increase in claims as outlined in the call for evidence paper.
- 3.13.6 On the question of why agents are used, while this question is best answered by taxpayers themselves, we would anticipate that this would be in part due to a combination of the (real or perceived) complexity of the rules and the work involved in trying to understand the rules, when set against the cost of using an agent. It may be the case that

some taxpayers perceive an agent's fee as good value, when compared with the alternative of reading Booklets 480⁴ and 490⁵ (133 pages and 77 pages respectively).

- 3.13.7 In addition, we expect that some taxpayers will not file their own reclaims due to difficulties they encounter in the user journey, some of which are discussed below:
- 3.13.7.1 **Confusion over the process:** We would expect most laypeople to use a search term such as 'claim a tax refund' as their starting point in claiming tax relief on expenses. An online search of this term returns the following form as the top result: Claim Tax Refund⁶. Intuitively, this would appear to be the correct form. However, it is not. The correct form to reclaim expenses is Form P87 – Income Tax Relief for expenses of employment⁷. As the form Claim Tax Refund appears to be the correct form, and as most taxpayers will not be aware of Form P87, many will complete the former.
- 3.13.7.2 Due to the absence of an overview of the complete form and how the form is navigated (i.e. it is gradually revealed as you progress through it), it does not become apparent until the end of the form that this is not in fact the correct form. At this stage some taxpayers will reach a 'fatigue level' and stop and potentially turn to an agent to assist them.
- 3.13.7.3 **Pre-population and user expectations:** The two online forms mentioned above, are both accessed via the Personal Tax Account (PTA). In completing both, the taxpayer is required to input a considerable amount of personal data. However, both forms sit behind 2-step verification and could easily be pre-populated with all the taxpayer's personal data.
- 3.13.7.4 Taxpayers using the internet are accustomed to 1-click internet (as seen on most online retailers' websites). If HMRC's systems provide a less efficient, less intuitive user experience than 'the norm', there will be a population of taxpayers who will simply give up and turn to an agent.
- 3.13.7.5 **Verification:** While we appreciate that security is critical to the PTA, the fact remains that setting up the PTA in the first place can take time and is not always straightforward. It requires a Government Gateway, and it requires the user to verify themselves using either the Verify system, a P60 (most people will not have this in their possession when they first go to set up their PTA) or a British passport.
- 3.13.7.6 We would also highlight here that Northern Irish employees holding an Irish passport are not accepted for the PTA even though this is a valid form of UK government identity in Northern Ireland.
- 3.13.8 If the desire is to increase the numbers of taxpayers claiming their own refunds instead of using agents, the process and systems need to be as simple, intuitive and straightforward as possible.
- 3.13.9 Where there are currently several different forms in use to claim a refund (e.g. P87, P85, P800 reclaim) they should be consolidated into one form – Unnecessary complexity should be removed.
- 3.13.10 Losing some taxpayers at the Verification stage is perhaps inevitable, however extensive user testing by taxpayers of all abilities can resolve attrition due to the process design

4 Booklet 480 – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/585099/480__2016__12_16.pdf

5 Booklet 490 – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/517266/490.pdf

6 <https://www.gov.uk/claim-tax-refund/overview>

7 <https://www.gov.uk/government/publications/income-tax-tax-relief-for-expenses-of-employment-p87>

and the user journey within the PTA – A point which we strongly recommended in our responses to the Making Tax Digital consultation documents.

3.14 **Question 14:**

- **Are flat rate expense allowances still appropriate?**
- **If flat rate expenses allowances were not available, would employers reimburse these expenses?**

3.14.1 Flat rate allowances (as provided for by s.367 ITEPA 2003) are still appropriate as an administrative easement although we recommend reviewing both the allowances (of which there are currently 77) and the amounts (set in 2008/09⁸) to ensure that the industries covered and the agreed rates remain relevant.

3.14.2 The survey results also supported this view, with responses to the question of the ongoing appropriateness of flat rate allowances showing an equal split between 'Yes' and 'No' answers. For those that felt flat rate allowances were no longer appropriate, most follow up comments showed that the issue lay in the value being too low rather than the principle no-longer being relevant.

3.15 **Question 15:**

- **Do you have any other suggestions for how the tax rules could be made clearer or their administration could be simplified for employers and employees?**
- **How could HMRC make it easier for employees to claim the tax relief directly and do employees know that making a claim directly from HMRC is a free service?**

3.15.1 We would welcome more prominent sign-posting by HMRC on its website, to direct employees who wish to claim relief for qualifying business expenses that they have incurred. For example, the landing page of the HMRC internet site⁹ does not immediately highlight any links for employees to follow, nor is there any content specifically related to employment-related expense claims. If an individual were to happen to search for 'tax relief for employees' then they would find a link to some relevant guidance (see comments above re identifying the correct form), however, we would instead suggest promoting a link via the landing page given the relevance of the topic to so many taxpayers.

⁸ EIM32712 – <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim32712>

⁹ <https://www.gov.uk/government/organisations/hm-revenue-customs>

- 3.15.2 As briefly mentioned above, in our opinion, the design of the PTA is critical. The PAYE home page of the PTA shows the following message:

Message on Account Home > PAYE Home:

- Your Income Tax has not been calculated yet for 6 April 2016 to 5 April 2017
- There is no need for you to contact HMRC about this.
- Income Tax for 6 April 2016 to 5 April 2017 will be calculated over the coming months and you will receive a tax calculation letter (P800) by post between June and October.
- If you have paid too much tax the letter will explain how you can get your refund paid to you.
- If you have not paid enough tax the letter will tell you how much you owe and how you can pay.

- 3.15.3 We would expect this to be confusing to the layperson who does not understand the mechanics of HMRC's year-end P800 reconciliation (especially in light of Real Time Information (RTI)). A layperson logging in to their PTA to claim relief on expenses could read this message and assume that no further action is required. The message explicitly says there is no need to contact HMRC about 2016/17; it is quite possible that an individual would not understand the context to the message.
- 3.15.4 The layout of the PTA could also be improved. On the PTA home page there is a section called '*Services you might need*'. This appears to be the place where one would expect to find all the relevant forms to take actions. For example, it currently has the following hyperlink: '*Tell us if your child is staying in education or training*'. We would expect there to be a similar link saying 'Tell us about your employment expenses' etc. The relevant forms are not there however. They are in fact to be found on the following page: *Account Home > PAYE Home > Check Your Income Tax Estimate*.
- 3.15.5 As the *Check your Income Tax Estimate* page relates solely to the current year it is not at all obvious that this is the place to find online forms which can relate to prior years. And clicking on the equivalent page for the prior tax year (called Check the Income Tax you Paid) reveals no such similar forms.
- 3.15.6 As we set out in our responses to the consultations on Making Tax Digital (MTD), we believe that one of the core determinants of the success of MTD is the usability and intuitiveness of the PTA. As was previously highlighted in those responses, we strongly recommend that HMRC conducts extensive testing of the PTA with taxpayers of all abilities to ensure that it is intuitive, easy to navigate and fulfils the needs of taxpayers who are seeking to claim relief for qualifying business expenses which have not otherwise been covered by the business expenses exemption at s.289A ITEPA 2003.

3.16 **Question 16:**

- **How do you expect expense practices to change in future?**
- **Do respondents think there will be a wider range of employee expenses?**
- **Will the type of expenses employees pay, and claim for, change?**
- **What factors will influence employers' decisions whether to reimburse or not in future?**
- **Will employers be less inclined to reimburse certain expenses?**
- **What are the contributing factors to these changes?**

- 3.16.1 As mentioned above, the past 10-15 years have seen a progressive shift in the frequency of home-working, whilst faster, more reliable internet access has also facilitated greater flexibility in working at client sites, other offices and whilst travelling. Accordingly, and further to the feedback from our survey (ref. Questions 14 and 15) we think that the rules relating to temporary and permanent workplaces would benefit from a broader review than was afforded by the Autumn 2015 discussion paper on the topic.
- 3.16.2 For the gig economy and people working with IT platforms providers to deliver services, e.g. taxis, delivery services etc. there is currently much debate on whether these individuals are employed or self-employed for both labour law and tax purposes.
- 3.16.3 To the extent that they might be held to be employees for tax purposes this would affect the type of expenses for which a deduction would be available. It would therefore be worthwhile to institute a review of the key areas where the rules differ for the employed and self-employed and consider whether to align the rules more closely.
- 3.16.4 Any review undertaken should take place in conjunction with other changes that both the Taylor Review on Modern Working Practices and the Government have been contemplating in this area around e.g. alignment of the main Class 4 NIC rate and the main Class 1 primary NIC rate (albeit Government appear to have ruled this out altogether), the alignment of parental benefits, and any changes in travel and subsistence rules.

3.17 **Question 17:**

- **Are there areas of the tax treatment for expenses that the government should explore further?**

- 3.17.1 Please refer to our comments above.
- 3.17.2 As a final suggestion, incorporating the basic principles of UK tax law and administration into the National Curriculum may be a beneficial step to improving individuals' awareness and understanding of the system in the long term.
- 3.17.3 Many PAYE workers currently have minimal direct interaction with the UK's tax system. However, MTD suggests that interaction levels will increase, even if this will only involve an annual verification of pre-populated data. Greater awareness of the way in which the tax system works and better education could support the smoother operation of MTD in future.

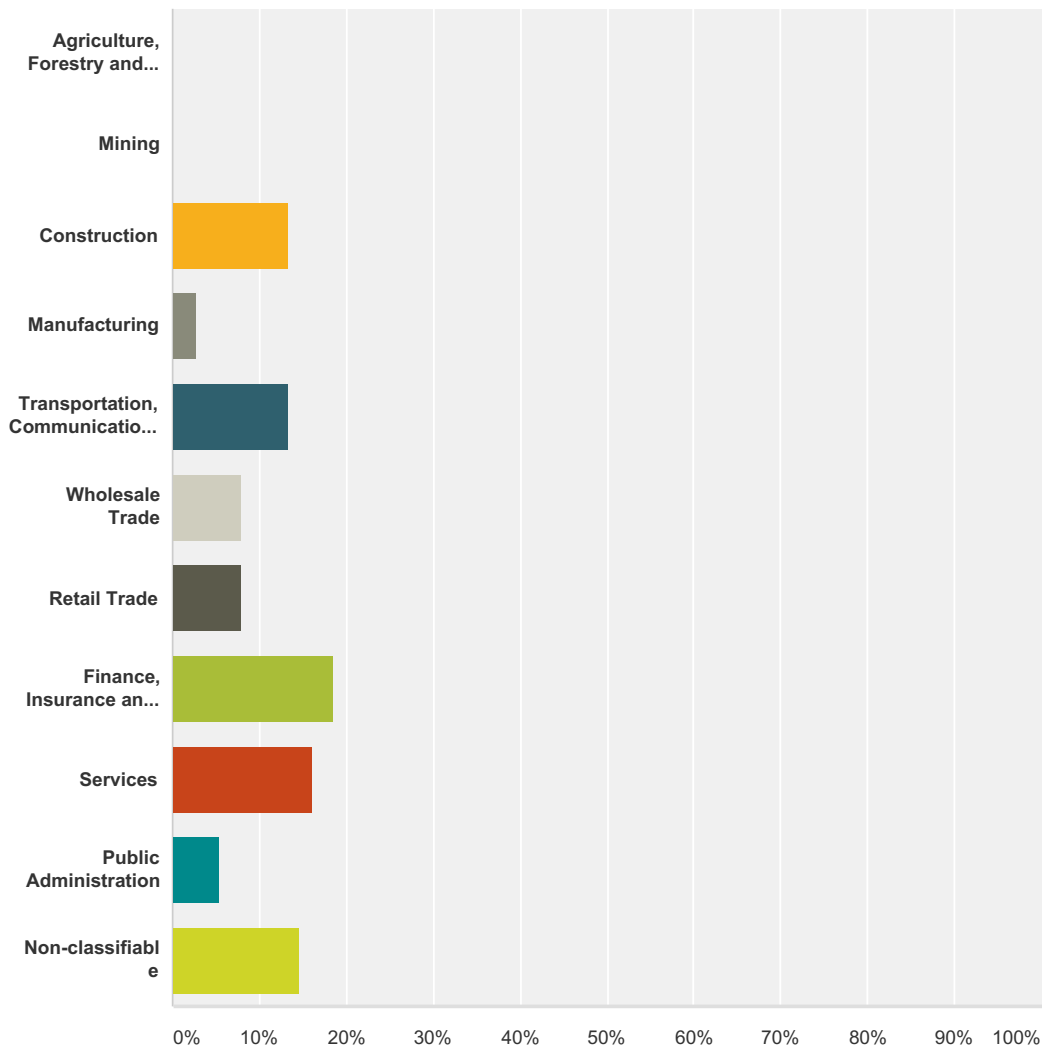
We thank you for your time and welcome any opportunity to openly discuss the above.

KPMG LLP
18 July 2017

Appendix 1 – KPMG Response to taxation of employee expenses

Q1 Please choose your industry

Answered: 75 Skipped: 0



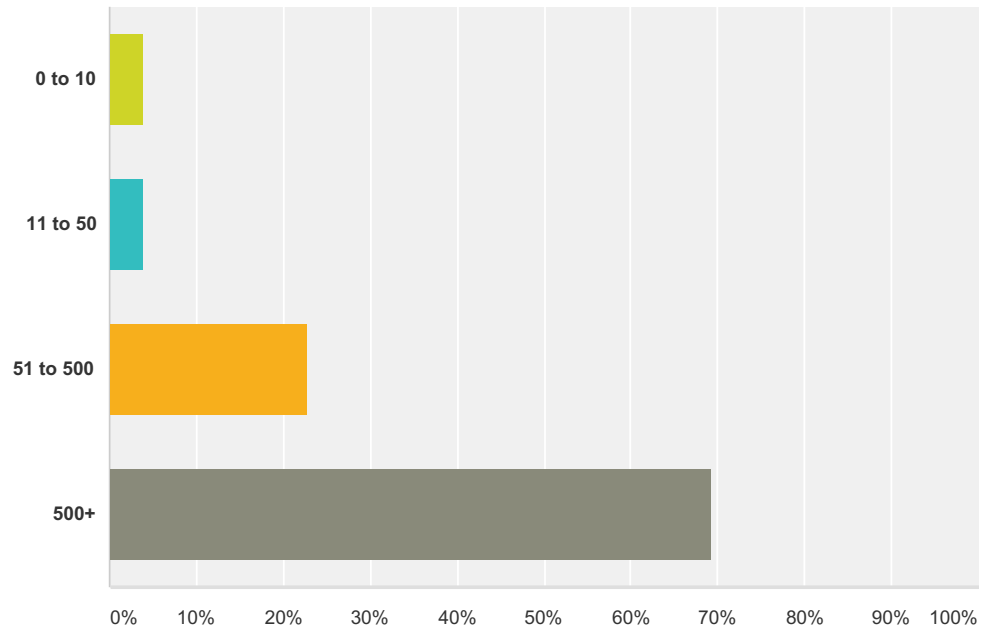
Answer Choices	Responses
Agriculture, Forestry and Fishing	0.00% 0
Mining	0.00% 0
Construction	13.33% 10
Manufacturing	2.67% 2
Transportation, Communications, Electric, Gas and Sanitary service	13.33% 10
Wholesale Trade	8.00% 6
Retail Trade	8.00% 6
Finance, Insurance and Real Estate	18.67% 14
Services	16.00% 12
Public Administration	5.33% 4

Taxation of employee expenses - HMRC call for evidence

Non-classifiable	14.67%	11
Total		75

Q2 How many employees do you have?

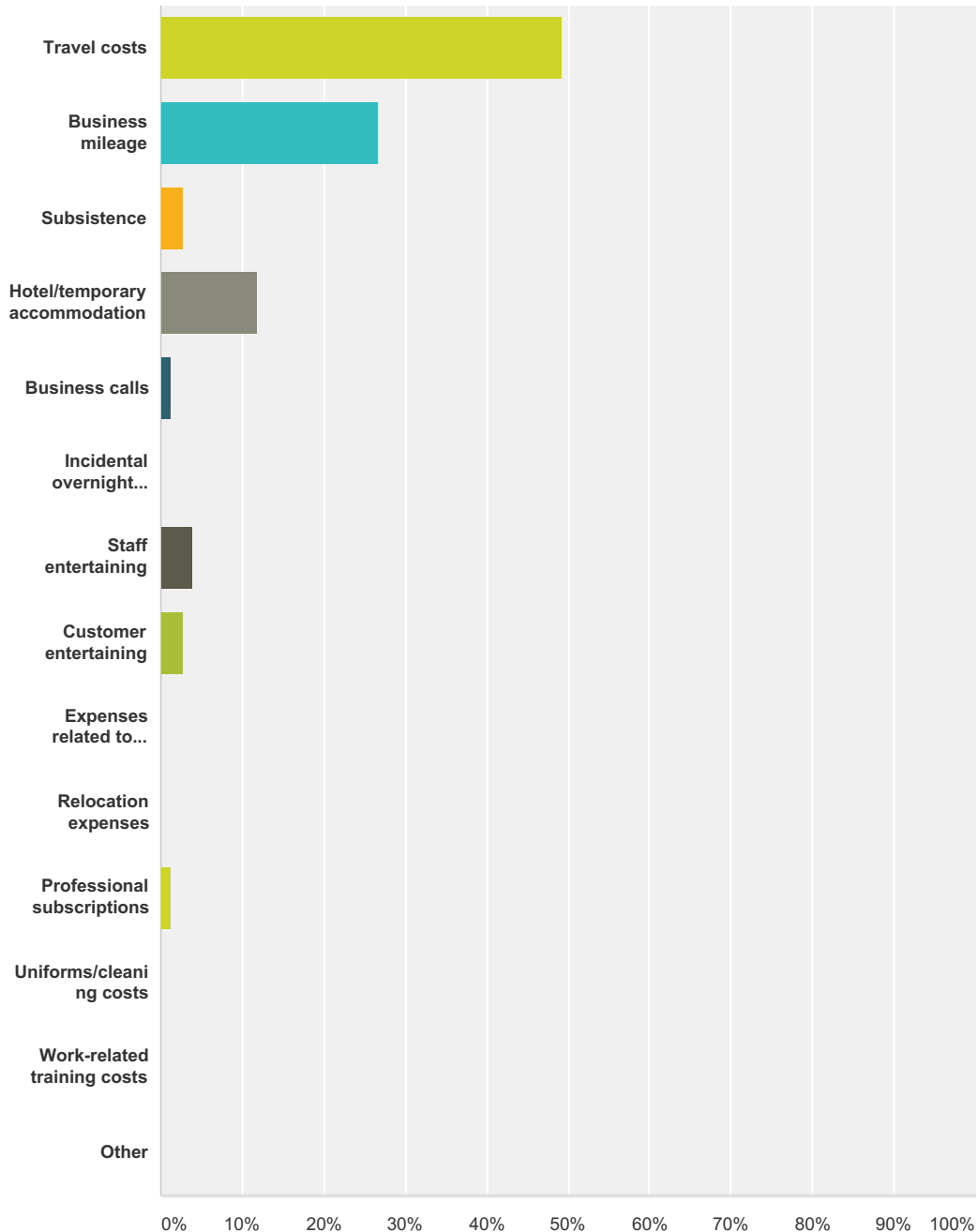
Answered: 75 Skipped: 0



Answer Choices	Responses	
0 to 10	4.00%	3
11 to 50	4.00%	3
51 to 500	22.67%	17
500+	69.33%	52
Total		75

**Q3 What in your estimation are the top three types of expenses your firm reimburses?
Please select the most common expense and add two other answers in the comments box below.**

Answered: 75 Skipped: 0



Answer Choices	Responses
Travel costs	49.33% 37

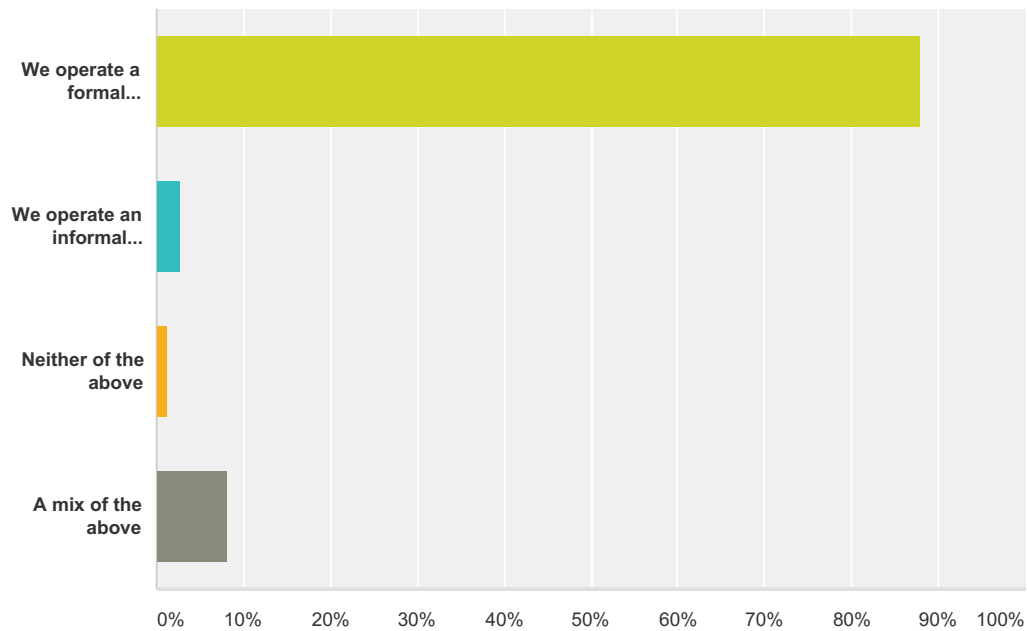
Taxation of employee expenses - HMRC call for evidence

Business mileage	26.67%	20
Subsistence	2.67%	2
Hotel/temporary accommodation	12.00%	9
Business calls	1.33%	1
Incidental overnight expenses	0.00%	0
Staff entertaining	4.00%	3
Customer entertaining	2.67%	2
Expenses related to company cars/vans	0.00%	0
Relocation expenses	0.00%	0
Professional subscriptions	1.33%	1
Uniforms/cleaning costs	0.00%	0
Work-related training costs	0.00%	0
Other	0.00%	0
Total		75

#	Please list the other two most common expenses reimbursed here.	Date
1	Travel Costs & Staff Entertaining	6/8/2017 8:50 AM
2	Subsistence and business mileage	6/2/2017 2:47 PM
3	company cars/vans subsistence	5/18/2017 9:09 AM
4	Travel costs and subsistence.	5/16/2017 11:51 AM
5	Subsistence Uniforms	5/11/2017 7:20 PM
6	Hotel/temp acc and staff entertaining	5/10/2017 12:56 PM
7	Hotels, subsistence.	5/9/2017 11:04 AM
8	Business mileage and entertaining	5/9/2017 9:53 AM

Q4 As an employer, which of the following best describes your expense policy?

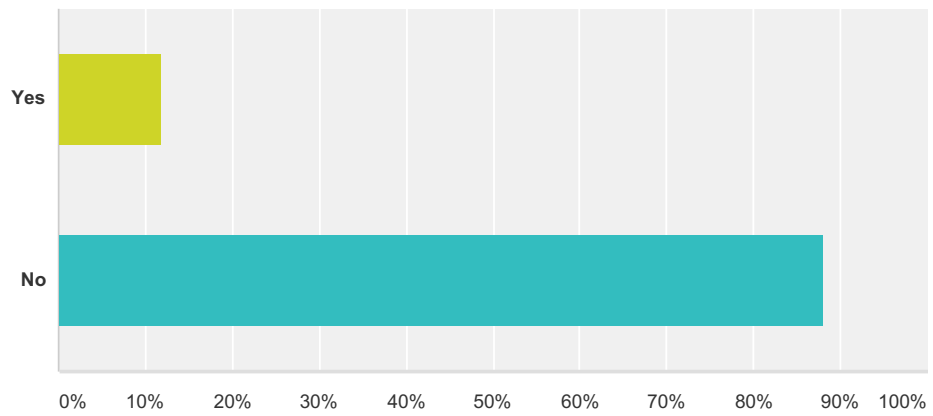
Answered: 74 Skipped: 1



Answer Choices	Responses	
We operate a formal documented expenses policy	87.84%	65
We operate an informal expenses policy e.g. whether an expense will be reimbursed is agreed (in advance) on a case by case basis	2.70%	2
Neither of the above	1.35%	1
A mix of the above	8.11%	6
Total		74

Q5 Does your expense policy vary across employee grade?

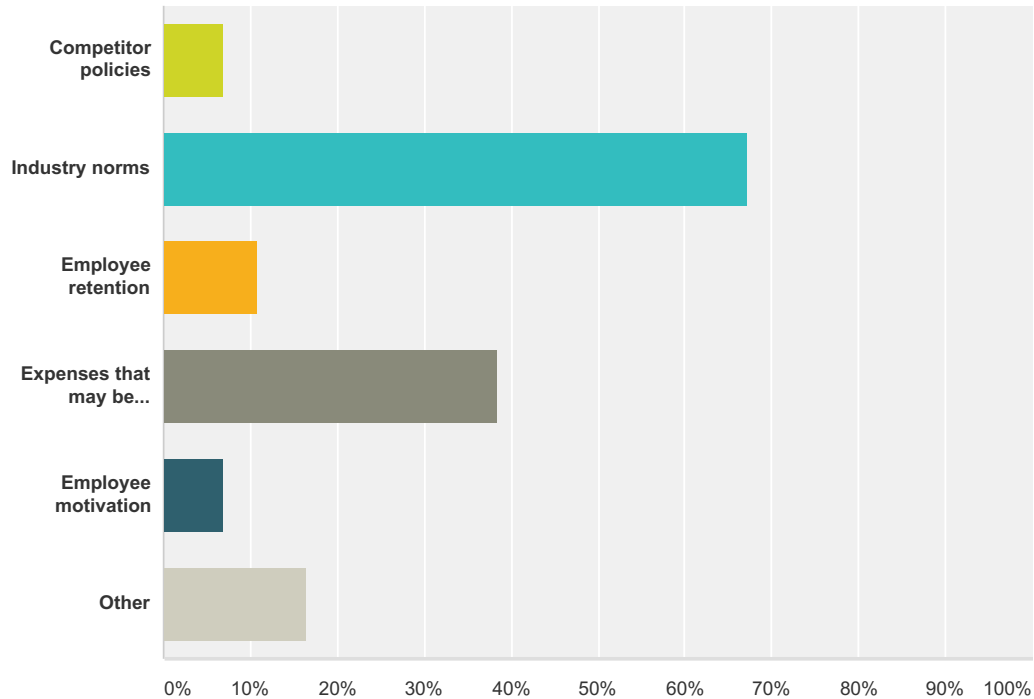
Answered: 75 Skipped: 0



Answer Choices	Responses	
Yes	12.00%	9
No	88.00%	66
Total		75

Q6 What factors does your organisation take into account when deciding what expenses to reimburse?

Answered: 73 Skipped: 2



Answer Choices	Responses
Competitor policies	6.85% 5
Industry norms	67.12% 49
Employee retention	10.96% 8
Expenses that may be reimbursed tax free	38.36% 28
Employee motivation	6.85% 5
Other	16.44% 12
Total Respondents: 73	

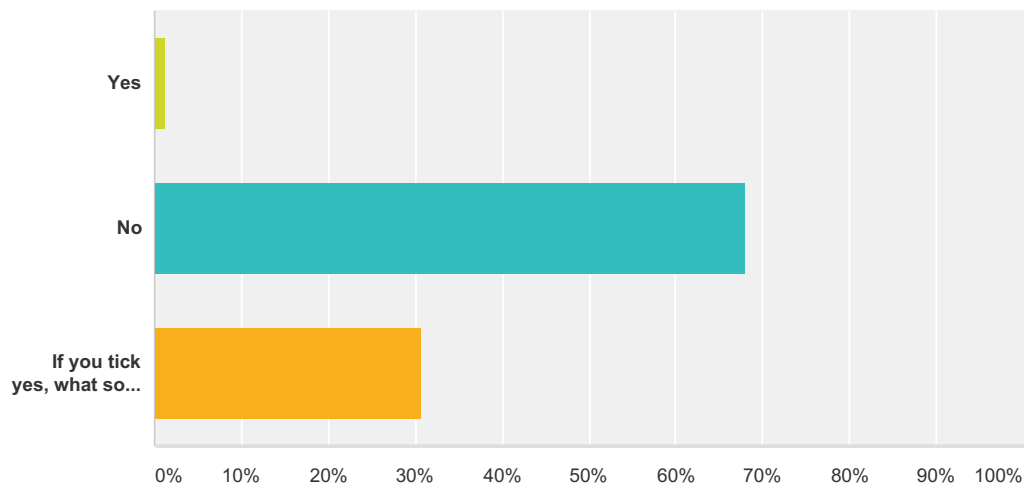
#	Other (please specify)	Date
1	We are a group with charitable parent (Housing Association)	5/9/2017 9:53 AM
2	HMRC guidelines	5/5/2017 12:10 PM
3	That we are compliant with all HMRC guidelines and policies	5/5/2017 11:12 AM
4	Statutory allowances	5/5/2017 10:56 AM
5	national agreements for health service workers	5/4/2017 1:21 PM
6	Common sense	5/4/2017 10:09 AM
7	We reimburse employees for expenses incurred wholly for business purposes.	5/4/2017 9:25 AM
8	Cost	5/4/2017 9:13 AM

Taxation of employee expenses - HMRC call for evidence

9	the benefit to the business i.e. is it worth it	5/4/2017 9:04 AM
10	Cost saving	5/4/2017 8:57 AM
11	Cost to the business and value for money	5/3/2017 10:04 PM
12	Ensuring that the employee is not out of pocket as a result of business activities	5/3/2017 8:56 PM
13	How much we want the person	5/3/2017 5:42 PM
14	works council requirements	5/3/2017 5:32 PM
15	Expenses incurred during course of employer's business	5/3/2017 5:27 PM
16	Reasonable expenses to enable you to carry out your role	5/3/2017 3:57 PM

Q7 Does your firm pay cash allowances instead of reimbursing specific expenses?

Answered: 75 Skipped: 0



Answer Choices	Responses	
Yes	1.33%	1
No	68.00%	51
If you tick yes, what sort of expenses are covered by cash allowances?	30.67%	23
Total		75

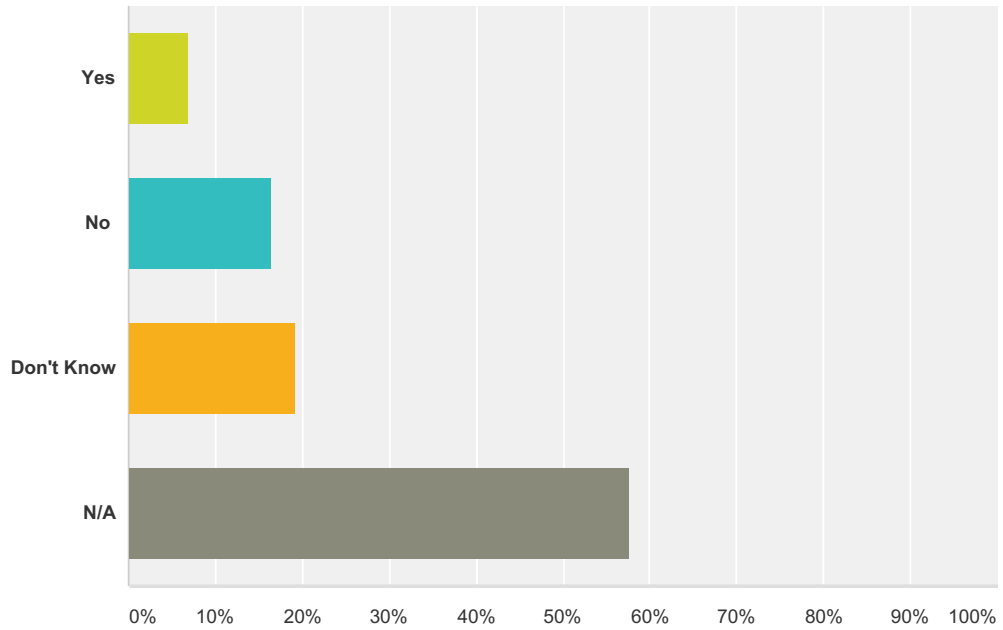
#	If you tick yes, what sort of expenses are covered by cash allowances?	Date
1	working away (meals and incidentals)	5/18/2017 9:09 AM
2	Travel and accommodation where these would be for home to work travel.	5/16/2017 11:51 AM
3	per diems	5/10/2017 12:56 PM
4	Sometimes; per diems for select category of employees where this is appropriate	5/8/2017 5:00 PM
5	Homeworkers only	5/4/2017 4:13 PM
6	Lodging	5/4/2017 3:21 PM
7	per diems or no receipt rates for small expenses	5/4/2017 11:11 AM
8	Rarely paid but overnight stays with friends/relatives is permissible	5/4/2017 10:09 AM
9	Home Leave and Expenses for working from home	5/4/2017 9:45 AM
10	Taxable car allowance and mileage allowances for business miles.	5/4/2017 9:25 AM
11	only for certain expenses i.e. overnight sleeper cab rate. Most are reimbursed on actual expenditure	5/4/2017 9:04 AM
12	Per Diems	5/4/2017 8:57 AM
13	We pay things like broadband allowance via payroll	5/4/2017 8:22 AM
14	Meal allowance whilst away from normal place of work	5/4/2017 8:13 AM
15	Subsistence, Cars, Mileage rates.	5/4/2017 7:37 AM
16	Car allowance	5/3/2017 5:45 PM
17	Relocation	5/3/2017 5:37 PM

Taxation of employee expenses - HMRC call for evidence

18	mileage rates, subsistence, certain relocation costs	5/3/2017 5:32 PM
19	Lunch allowance for field based workers	5/3/2017 4:34 PM
20	Daily travel and subsistence for employees at temporary workplaces	5/3/2017 4:17 PM
21	Daily allowance for some travelling sales people e.g. sundry items coffee, lunch.	5/3/2017 3:57 PM
22	relocation	5/3/2017 3:52 PM
23	Essential Car User allowance (Taxable/NICable) on top of mileage	5/3/2017 3:45 PM

Q8 If employees do receive a cash allowance, do they claim relief on the underlying expenses?

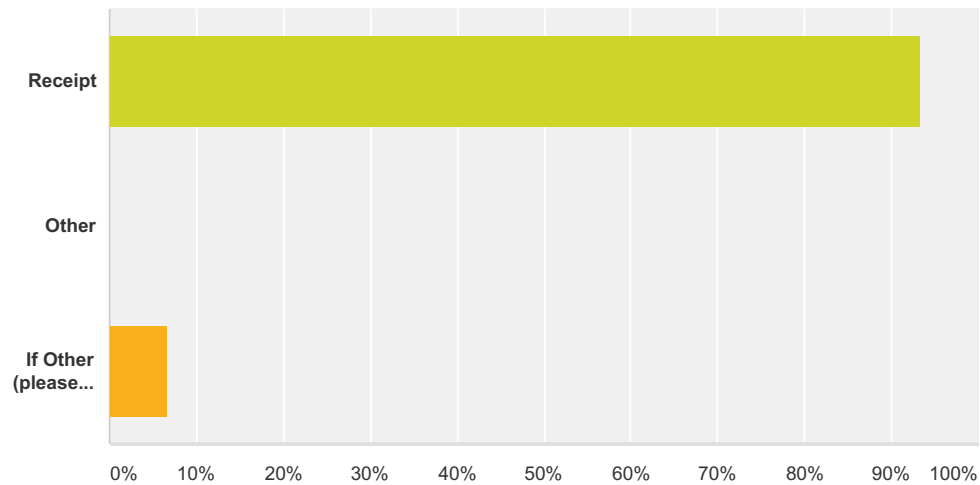
Answered: 73 Skipped: 2



Answer Choices	Responses	
Yes	6.85%	5
No	16.44%	12
Don't Know	19.18%	14
N/A	57.53%	42
Total		73

Q9 What evidence does your organisation accept as evidence of an expense before reimbursing the employee?

Answered: 75 Skipped: 0

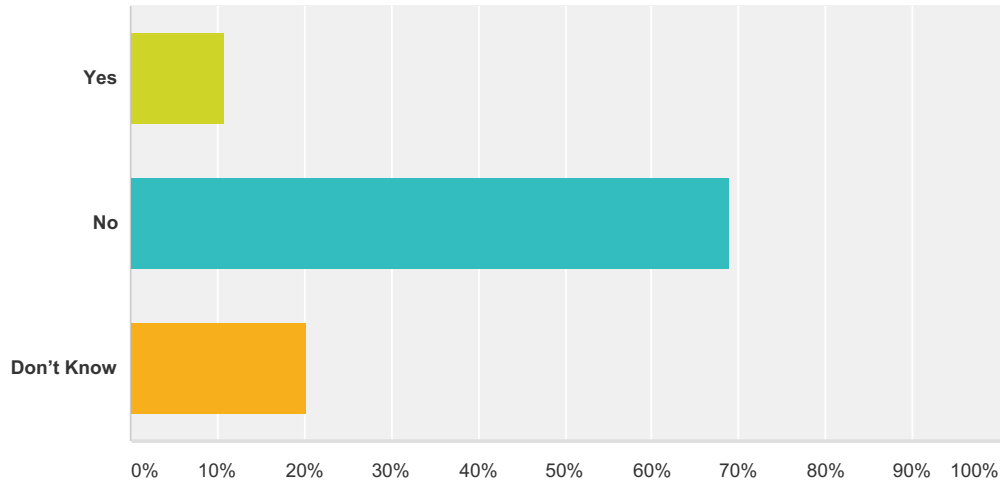


Answer Choices	Responses
Receipt	93.33% 70
Other	0.00% 0
If Other (please specify)	6.67% 5
Total	75

#	If Other (please specify)	Date
1	Receipts and business purpose, except for mileage when journey details are required in place of receipt	5/9/2017 9:53 AM
2	All claims have to be supported with receipts, any missing have to be claimed as exceptional and have Line Manager approval before being submitted.	5/5/2017 11:12 AM
3	Receipt for purchased items, mileage reports for business mileage.	5/4/2017 9:25 AM
4	in cases where receipts are lost or not provided, signed confirmation that a cost was incurred is sufficient	5/4/2017 9:13 AM
5	Company Credit Card statement	5/4/2017 8:57 AM

Q10 In your opinion, do you think your employees know the tax rules for expenses and how to claim directly or indirectly from HMRC?

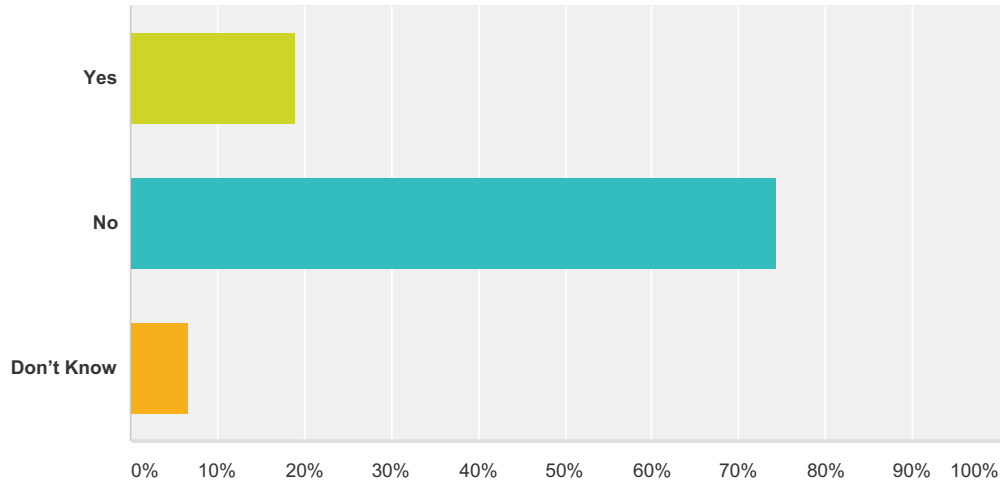
Answered: 74 Skipped: 1



Answer Choices	Responses	
Yes	10.81%	8
No	68.92%	51
Don't Know	20.27%	15
Total		74

Q11 Does your organisation provide support or information to employees on how to claim relief from HMRC e.g. guidance via an internal portal etc?

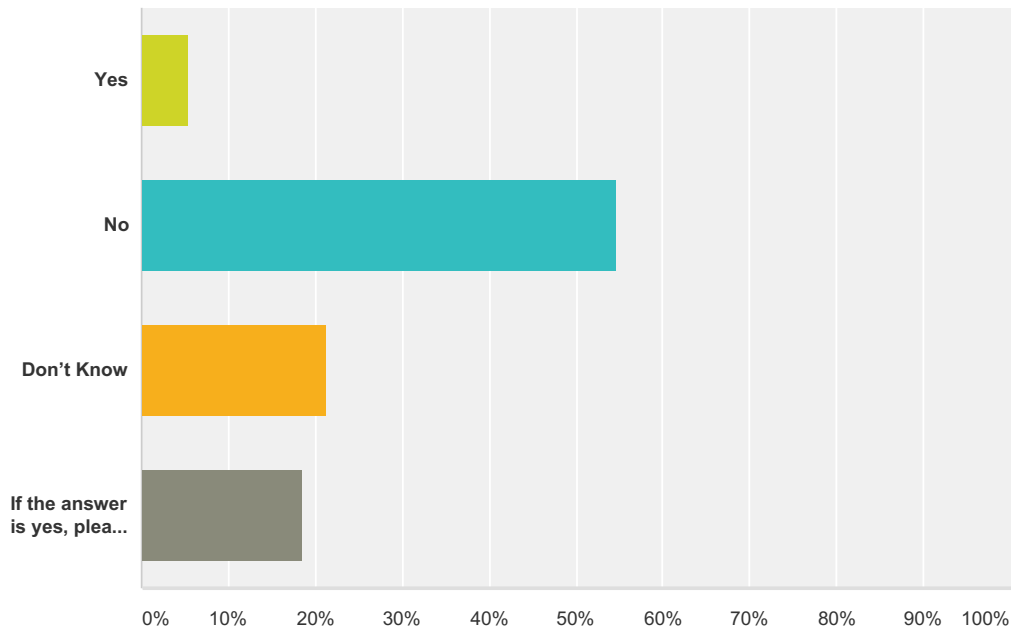
Answered: 74 Skipped: 1



Answer Choices	Responses	
Yes	18.92%	14
No	74.32%	55
Don't Know	6.76%	5
Total		74

Q12 Based on your organisation, has the type and cash value of employee expenses that are incurred and reimbursed changed in the last 5-10 years?

Answered: 75 Skipped: 0



Answer Choices	Responses
Yes	5.33% 4
No	54.67% 41
Don't Know	21.33% 16
If the answer is yes, please briefly explain	18.67% 14
Total	75

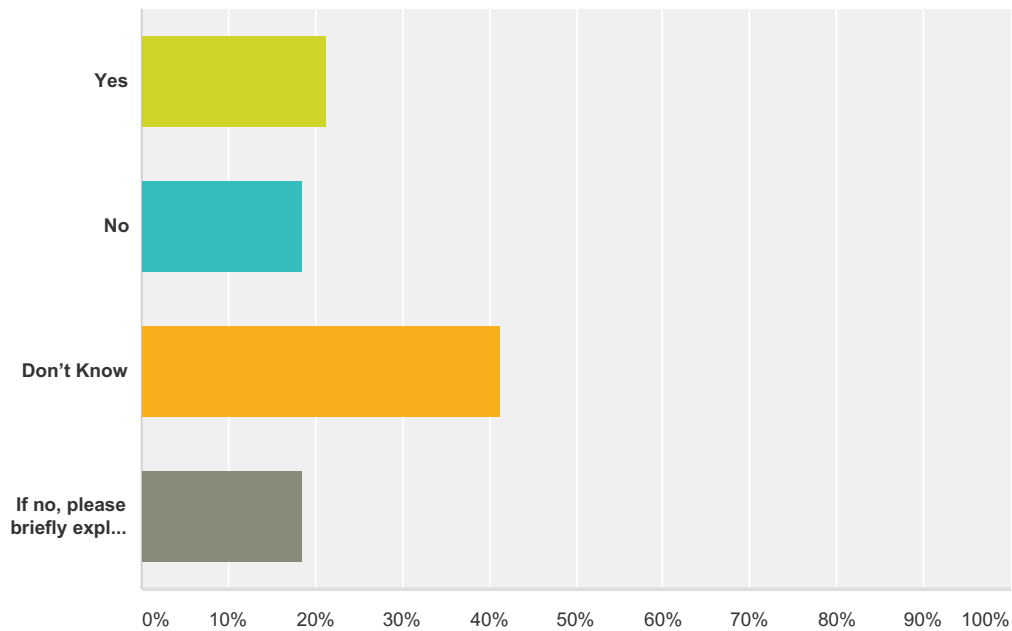
#	If the answer is yes, please briefly explain	Date
1	people will try to claim a lot more than they used to	6/8/2017 8:50 AM
2	Moved from salary sacrifice (STEER) to round sum allowances, daily meal allowances	5/18/2017 9:09 AM
3	travelling has increased due to more travel	5/8/2017 3:41 PM
4	Small decrease as policies and requirements for Travel etc have changed	5/5/2017 11:12 AM
5	increased as employees required to travel more	5/5/2017 8:27 AM
6	We are now part of a global group - and hence increased travel costs	5/4/2017 10:09 AM
7	Expenses have become more skewed towards essential business expenses.	5/4/2017 9:45 AM
8	More employees choose a car allowance in favour of a company car.	5/4/2017 9:25 AM
9	Stricter about expenses that should be purchased via purchase ledger instead of reimbursing	5/4/2017 9:01 AM
10	Cost of expenses has increased. Nb 3 most reimbursed types are mileage, hotels and subsistence.	5/3/2017 10:04 PM
11	increased due to greater mobility, flexibility over work locations and changes in technology and behaviours	5/3/2017 5:32 PM

Taxation of employee expenses - HMRC call for evidence

12	Increased business travel activity. Do not want to set up suppliers in AP system if irregular/small value/incidental.	5/3/2017 5:27 PM
13	We abolished fuel cards and everyone claims the reimbursement for business fuel	5/3/2017 4:37 PM
14	Gone down as tighter controls and stricter authorisation adopted in response to financial cut-backs	5/3/2017 4:34 PM

Q13 Do you think HMRC's flat rate expense allowances are still appropriate?

Answered: 75 Skipped: 0



Answer Choices	Responses	
Yes	21.33%	16
No	18.67%	14
Don't Know	41.33%	31
If no, please briefly explain (e.g. amounts too low, particular sector missing etc.)	18.67%	14
Total		75

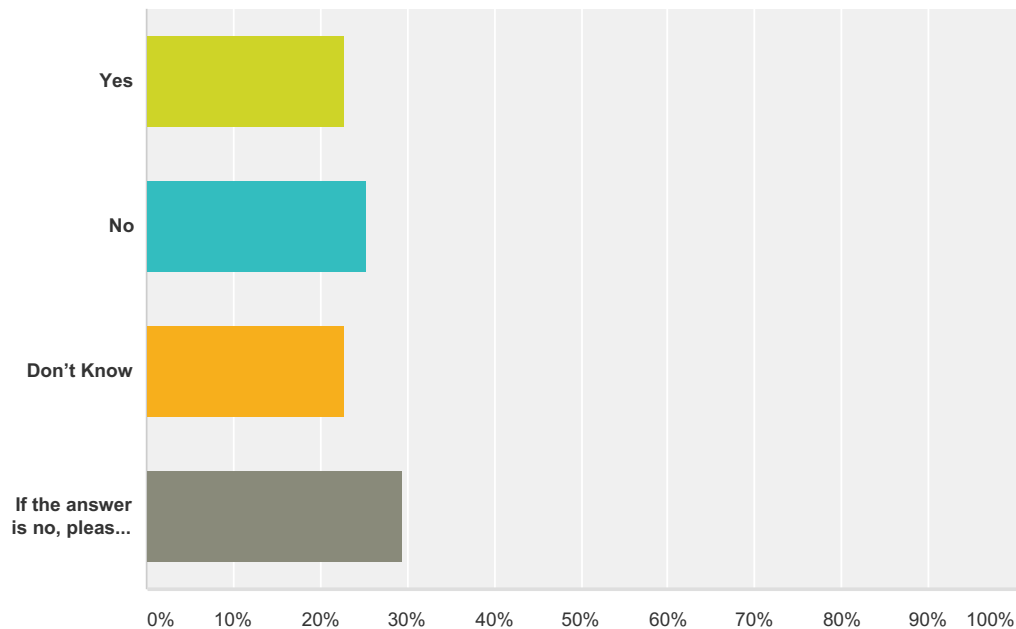
#	If no, please briefly explain (e.g. amounts too low, particular sector missing etc.)	Date
1	They do not reflect variation in costs geographically and are open to abuse	6/8/2017 8:50 AM
2	too low	5/10/2017 12:56 PM
3	Amounts too low, have barely altered over time	5/8/2017 9:06 AM
4	too low, especially the full day one	5/4/2017 3:21 PM
5	too low	5/4/2017 11:11 AM
6	Amounts are too low.	5/4/2017 10:12 AM
7	Amounts too low, too complex to administer on a case by case basis.	5/4/2017 9:45 AM
8	requirement for checking is onerous	5/4/2017 9:04 AM
9	Far too low!	5/3/2017 10:04 PM
10	amounts to low	5/3/2017 5:41 PM
11	Amount is too low	5/3/2017 5:37 PM
12	outdated sectors, long overdue rates	5/3/2017 5:32 PM

Taxation of employee expenses - HMRC call for evidence

13	Now very low	5/3/2017 5:09 PM
14	mileage costs are always a contentious issue for company car users/high mileage users with increasing fuel costs	5/3/2017 3:52 PM

Q14 In your opinion, do the current tax rules on employee expenses reflect modern working practices?

Answered: 75 Skipped: 0



Answer Choices	Responses
Yes	22.67% 17
No	25.33% 19
Don't Know	22.67% 17
If the answer is no, please briefly explain (e.g. are there any types of expenses which are not tax relieved but which should be or vice versa?)	29.33% 22
Total	75

#	If the answer is no, please briefly explain (e.g. are there any types of expenses which are not tax relieved but which should be or vice versa?)	Date
1	Permanent workplace rules give rise to tax liabilities where no benefit is intended but the company needs employees to be able to work flexibly over more than one site.	5/9/2017 11:04 AM
2	Mileage payment on electric cars, currently less than bicycles.	5/5/2017 3:26 PM
3	The rules on ordinary commuting do not reflect modern practices in that many employees legitimately have to regularly travel to another workplace.	5/4/2017 4:13 PM
4	Doesn't cover situations where employee has 2 permanent workplaces that are a significant distance apart.	5/4/2017 3:30 PM
5	Subscriptions, reimbursing employee holidays where they've had to cancel at our request,	5/4/2017 11:39 AM
6	We'd like to see the breadth of what can be included on Form PSA widened, which should result in easing administration from our side.	5/4/2017 10:12 AM
7	the new rules on car salary sacrifice for instance on non-sensical - if an employee takes a lower value car then why should they face a tax bill?	5/4/2017 10:09 AM
8	Tax relief, per law, is a bit out dated and doesn't reflect modern ways of working. It seems the tax policies intend on penalising working arrangements that don't fit the norm 10+ years ago.	5/4/2017 9:45 AM

Taxation of employee expenses - HMRC call for evidence

9	current working practices mean permanent workplaces need to be revisited	5/4/2017 9:13 AM
10	Mileage rates not updated frequently enough for changes in fuel prices	5/4/2017 9:11 AM
11	AFR too low. Entertaining rules complicated on VAT. People are more flexible on where they work so perm vs temp workplace out of date. Secondment exemption complicated, should be a flat timescale not when it is know it will become perm.	5/4/2017 9:04 AM
12	Working life has changed eg home working and how tha imoacts	5/4/2017 9:01 AM
13	Tax relief should be available even if employers do not reimburse the cost. For example, the tax free flat rate working from home expenses. Many employers are encouraging home working as they cut down office spaces. 24 months rule for temporary workplace travelling should be reviewed, replacing 'intention' with 'certainty' as proposed by OTS eg fixed period or fixed percentage of working time spent at temporary work place.	5/4/2017 8:57 AM
14	Too inflexible. Doesn't take account of working from home, far too restrictive in this area. Also too restrictive when duality of purpose.	5/3/2017 10:04 PM
15	some of the tax treatments are not clear and easy to understand	5/3/2017 5:41 PM
16	greater ability to meet costs for working from home/other locations, greater recognition of technology advancements,	5/3/2017 5:32 PM
17	Temp/perm workplace in the modern workplace is time consuming and difficult to assess using old rules for modern flexible working practices	5/3/2017 5:31 PM
18	Standardize benefits in kind treatment for expense types. Eg accommodation and travel costs are treated differently depending on who arranged the cost and whether the employer pays, employee pays and is reimbursed or employer pays eg https://www.gov.uk/expenses-and-benefits-accommodation/what-to-report-and-pay and https://www.gov.uk/expenses-and-benefits-travel/what-to-report-and-pay	5/3/2017 5:27 PM
19	Home working; travelling appointments	5/3/2017 5:09 PM
20	Working from home is becoming more normal	5/3/2017 4:37 PM
21	Require more flexibility for employers to decide what are genione work-related expenses	5/3/2017 4:34 PM
22	Does not reflect increased travel/mobility of employees	5/3/2017 4:34 PM

Q15 Do you have any other suggestions for how the tax rules could be made clearer or their administration could be simplified for employers and employees?

Answered: 24 Skipped: 51

#	Responses	Date
1	.	6/8/2017 8:50 AM
2	One comprehensive guide with rates and allowances all in one place .	5/18/2017 9:09 AM
3	The rules around the definition of permanent versus temporary workplace are difficult to apply in practice and result in differences between employees who are undertaking similar roles. In general, need to make the rules on expenses easier to use; it may just be a need for HMRC to have a more pragmatic understanding of when and how expenses are incurred by an employee.	5/16/2017 11:51 AM
4	Need to stop nonsense of treating people with two legitimate business bases over 69 miles apart as both bases being home to work and taxable	5/11/2017 7:20 PM
5	Permanent workplace election would be helpful. Personal incidental expenses limits should be raised as they are too low and have not kept pace with inflation. Clarity and level playing field still needed on what can be included in PSA, and hopefully more flexibility e.g. to include multiple permanent workplace items, but do not bring forward the PSA deadline as it is a time consuming major exercise to collate the info for a large company.	5/9/2017 11:04 AM
6	Permanent places of work definition is vague, and very difficult to implement, and then govern	5/8/2017 3:41 PM
7	Need for paper based evidence	5/8/2017 10:15 AM
8	The main one that people don't understand is that they can't claim home to work as non-taxable when working out of hours, eg weekend working, late night. There is a general feeling that this is unfair.	5/4/2017 3:30 PM
9	24 month rule to be time set rather than based on intention and to allow employers to settle related tax on PSA. Make it easier to agree bespoke rates for certain sectors	5/4/2017 3:21 PM
10	Simplify the p11d process. It makes it too complicated and encourages bad practice i.e. if you have an expense to be declared but its not p11d. The only option left is PSA and that is not always possible.	5/4/2017 11:39 AM
11	rules on business mileage are too complex taking into account pool and hire cars	5/4/2017 11:30 AM
12	They could be shared more comprehensively - if I don't know about them/understand them, then I am 100% sure the majority of employees don't	5/4/2017 10:47 AM
13	Offer more flexibility on what can / can't be included in PSAs. HMRC to allow employers to settle tax on expenses based on a fixed proportion of total expenses (which could be agreed with each employer individually).	5/4/2017 9:45 AM
14	accept that if businesses want to pay more for reimbursing expenses because of the way that different industry sectors operate then PSAs should be able to be used to pick up the tax costs	5/4/2017 9:13 AM
15	Flat rate allowances with no checking process AFR based on CO2s rather than engine CC as this is more appropriate to fuel economy	5/4/2017 9:04 AM
16	Tax rule is much easier to understand and execute without much conditions such as late night taxi exemption. It is preferable to have a straight 'Yes' or 'No' determination without having to monitor and consider much conditions.	5/4/2017 8:57 AM
17	Get rid of requirement to have vat receipts to reclaim vat on mileage. Just adds paperwork	5/4/2017 7:45 AM
18	PIEs should be increased... £5 limit is far too low! More realistic rates should be available. The rules for determining whether someone works from home are far too restrictive and out of kilter with current working practices.	5/3/2017 10:04 PM
19	Tax on Company Vehicles is extremely complicated and should be simplified.	5/3/2017 5:42 PM
20	introducing the £50 limit has helped. Looking at the values of other expenses. reviewing some of the rules when an expense can be expensed and make it simpler	5/3/2017 5:41 PM
21	alignment of employer provided tax exemption and reliefs if employee funded (eg training costs, relocation costs)	5/3/2017 5:32 PM

Taxation of employee expenses - HMRC call for evidence

22	HMRC guidance lacks practical, modern, real life examples of some expenses. e.g. an awards dinner to pick up an award: staff ent, bus. travel or sometimes bus. ent? The canteen exemption is out of date and favours large employers - is a pizza in the office for employees working late REALLY a benefit? Travel rules outmoded for modern workforce.	5/3/2017 5:31 PM
23	Expand scope of PSAs to include more expenses eg allow BUPA health to be on PSA instead of only P11D; remove requirement for yearly PSA contracts to be entered into between HMRC and employer; PSA return should be lodged on HMRC Gateway; align tax/NI treatment across all expense type to be consistent; align tax/NI treatment so that tax liability is same irrespective of whether expense taxed via PSA or P11D; make it easier for employers to comply!	5/3/2017 5:27 PM
24	Consistent and standardized rules ideally carried out via the employer payroll to aid the employee in claiming them.	5/3/2017 3:57 PM

Appendix 2 – HMRC Call for evidence

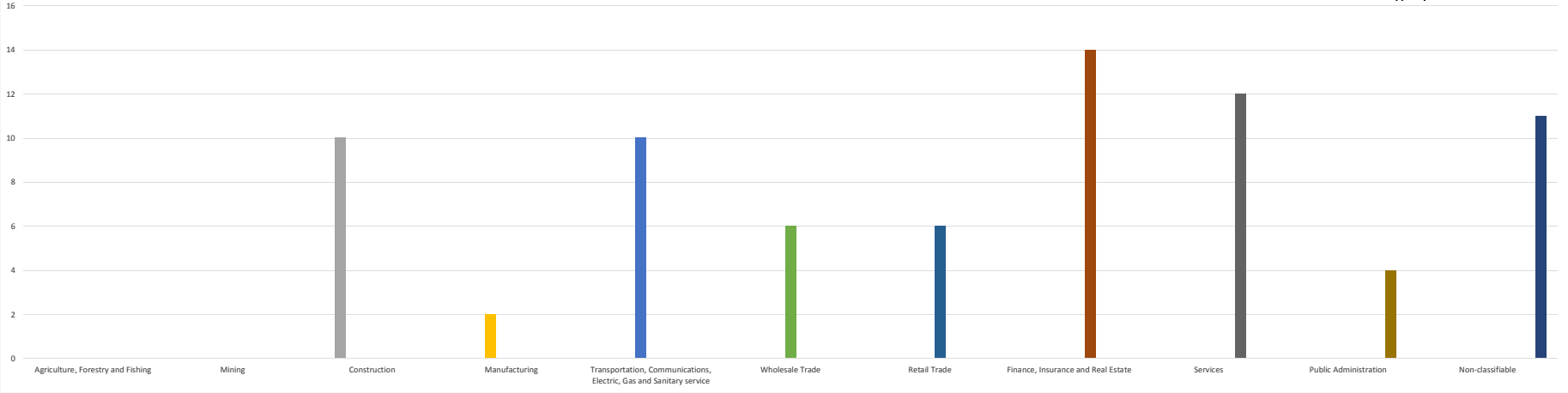
Taxation of employee expenses - HMRC call for evidence

Please choose your industry

Answer Options	Please choose your industry											Response Percent	Response Count
	Agriculture, Forestry and Fishing	Mining	Construction	Manufacturing	Transportation, Communications, Electric, Gas and Sanitary service	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Public Administration	Non-classifiable		
Agriculture, Forestry and Fishing	0	0	0	0	0	0	0	0	0	0	0	0.0%	0
Mining	0	0	0	0	0	0	0	0	0	0	0	0.0%	0
Construction	0	0	10	0	0	0	0	0	0	0	0	13.3%	10
Manufacturing	0	0	0	2	0	0	0	0	0	0	0	2.7%	2
Transportation, Communications, Electric, Gas and Sanitary service	0	0	0	0	10	0	0	0	0	0	0	13.3%	10
Wholesale Trade	0	0	0	0	0	6	0	0	0	0	0	8.0%	6
Retail Trade	0	0	0	0	0	0	6	0	0	0	0	8.0%	6
Finance, Insurance and Real Estate	0	0	0	0	0	0	0	14	0	0	0	18.7%	14
Services	0	0	0	0	0	0	0	0	12	0	0	16.0%	12
Public Administration	0	0	0	0	0	0	0	0	0	4	0	5.3%	4
Non-classifiable	0	0	0	0	0	0	0	0	0	0	11	14.7%	11

answered question75

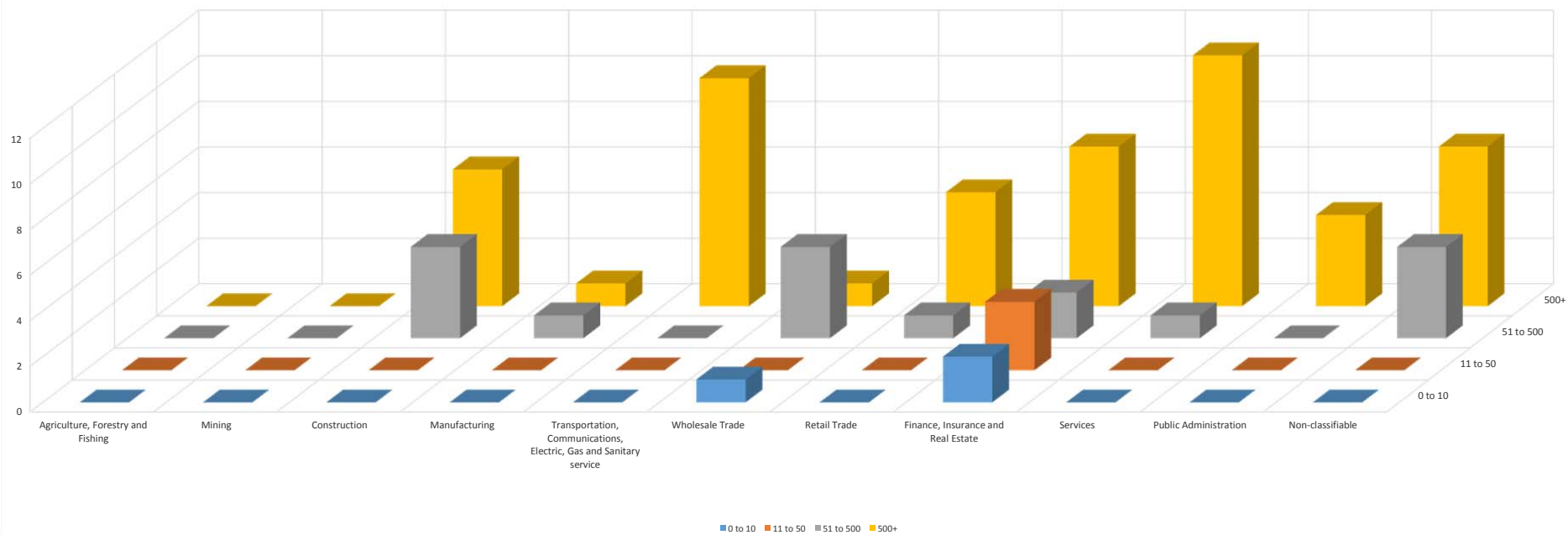
skipped question0



Taxation of employee expenses - HMRC call for evidence

How many employees do you have?

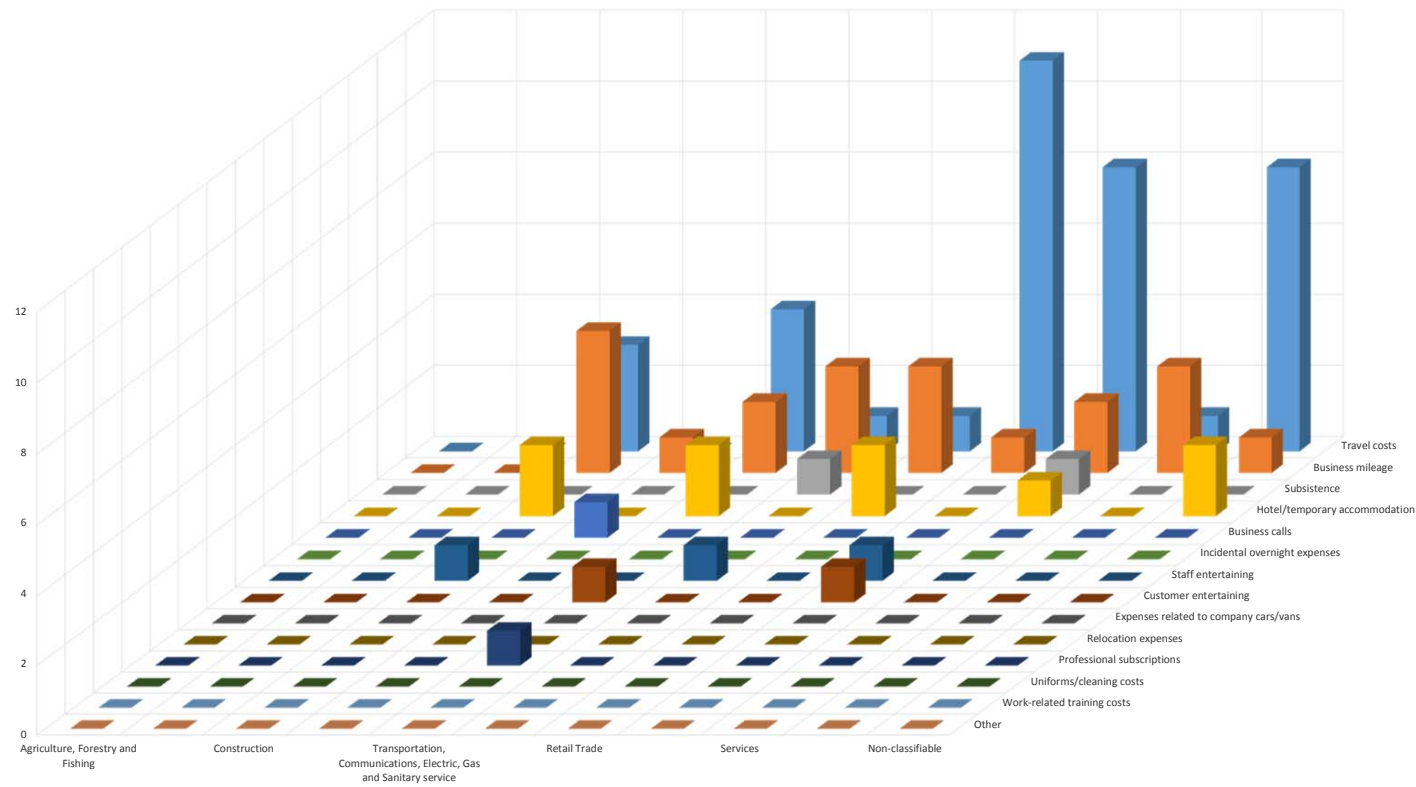
	Please choose your industry											Response Percent	Response Count
	Agriculture, Forestry and Fishing	Mining	Construction	Manufacturing	Transportation, Communications, Electric, Gas and Sanitary service	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Public Administration	Non-classifiable		
0 to 10	0	0	0	0	0	1	0	2	0	0	0	4.0%	3
11 to 50	0	0	0	0	0	0	0	3	0	0	0	4.0%	3
51 to 500	0	0	4	1	0	4	1	2	1	0	4	22.7%	17
500+	0	0	6	1	10	1	5	7	11	4	7	69.3%	52
answered question													75
skipped question													0



Taxation of employee expenses - HMRC call for evidence

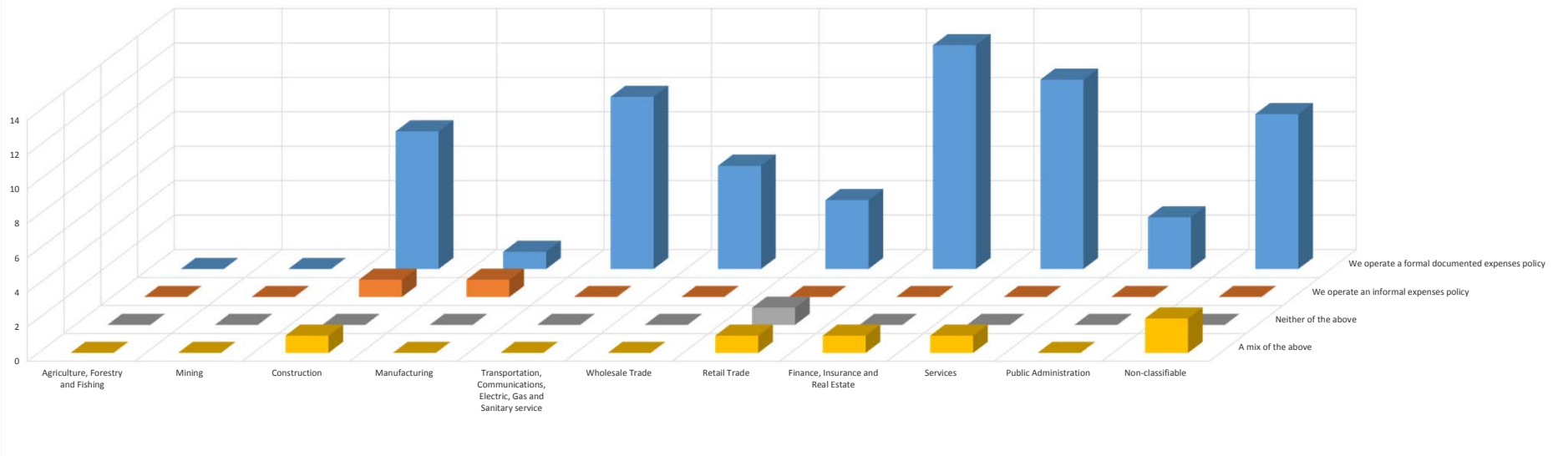
What in your estimation are the top three types of expenses your firm reimburses? Please select the most common expense and add two other answers in the comments box below.

	Please choose your industry											Response Percent	Response Count	
	Agriculture, Forestry and Fishing	Mining	Construction	Manufacturing	Transportation, Communications, Electric, Gas and Sanitary service	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Public Administration	Non-classifiable			
Travel costs	0	0	3	0	4	1	1	11	8	1	8	49.3%	37	
Business mileage	0	0	4	1	2	3	3	1	2	3	1	26.7%	20	
Subsistence	0	0	0	0	0	1	0	0	1	0	0	2.7%	2	
Hotel/temporary accommodation	0	0	2	0	2	0	2	0	1	0	2	12.0%	9	
Business calls	0	0	0	1	0	0	0	0	0	0	0	1.3%	1	
Incidental overnight expenses	0	0	0	0	0	0	0	0	0	0	0	0.0%	0	
Staff entertaining	0	0	1	0	0	1	0	1	0	0	0	4.0%	3	
Customer entertaining	0	0	0	0	1	0	0	1	0	0	0	2.7%	2	
Expenses related to company cars/vans	0	0	0	0	0	0	0	0	0	0	0	0.0%	0	
Relocation expenses	0	0	0	0	0	0	0	0	0	0	0	0.0%	0	
Professional subscriptions	0	0	0	0	1	0	0	0	0	0	0	1.3%	1	
Uniforms/cleaning costs	0	0	0	0	0	0	0	0	0	0	0	0.0%	0	
Work-related training costs	0	0	0	0	0	0	0	0	0	0	0	0.0%	0	
Other	0	0	0	0	0	0	0	0	0	0	0	0.0%	0	
Please list the other two most common expenses reimbursed here.														8
													answered question	75
													skipped question	



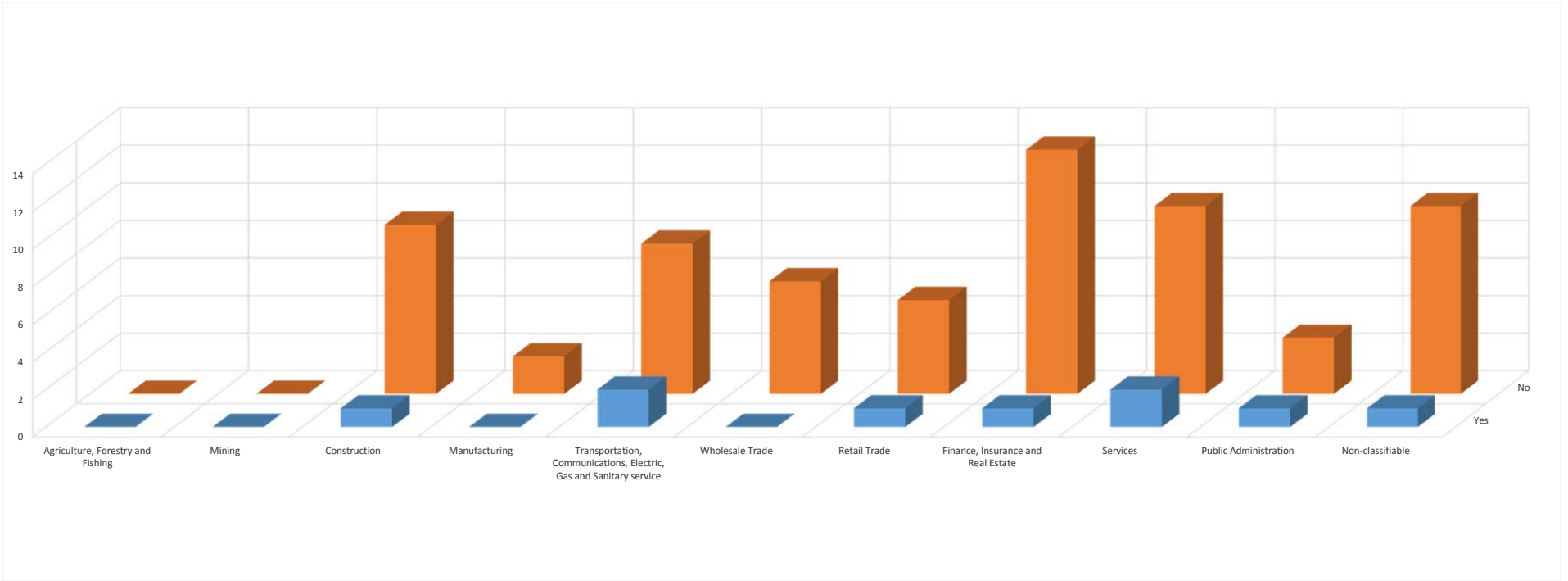
Taxation of employee expenses - HMRC call for evidence
As an employer, which of the following best describes your expense policy?

Answer Options	Please choose your industry											Response Percent	Response Count
	Agriculture, Forestry and Fishing	Mining	Construction	Manufacturing	Transportation, Communications, Electric, Gas and Sanitary service	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Public Administration	Non-classifiable		
	0	0	8	1	10	6	4	13	11	3	9		
	0	0	1	1	0	0	0	0	0	0	0		
	0	0	0	0	0	0	1	0	0	0	0		
A mix of the above	0	0	1	0	0	0	1	1	1	0	2	8.1%	6
												answered question	74
												skipped question	1



Taxation of employee expenses - HMRC call for evidence
Does your expense policy vary across employee grade?

Answer Options	Please choose your industry											Response Percent	Response Count
	Agriculture, Forestry and Fishing	Mining	Construction	Manufacturing	Transportation, Communications, Electric, Gas and Sanitary service	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Public Administration	Non-classifiable		
Yes	0	0	1	0	2	0	1	1	2	1	1	12.0%	9
No	0	0	9	2	8	6	5	13	10	3	10	88.0%	66
answered question													75
skipped question													0



Taxation of employee expenses - HMRC call for evidence

What factors does your organisation take into account when deciding what expenses to reimburse?

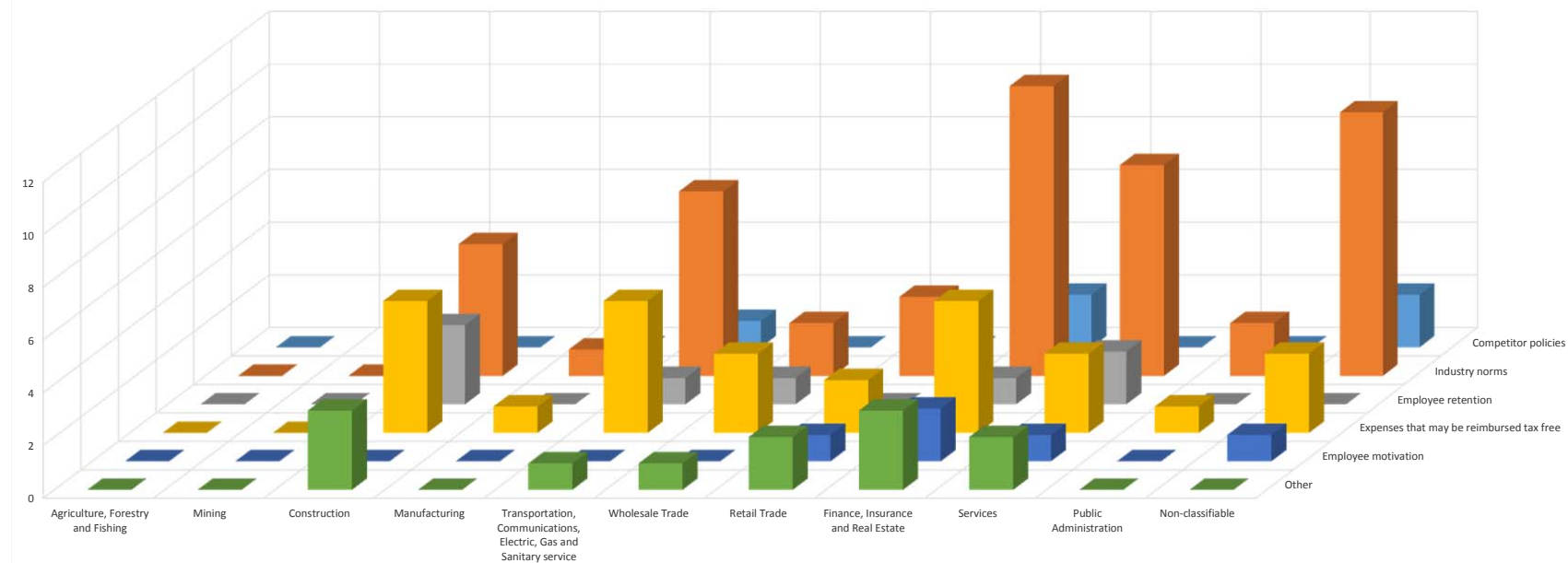
Answer Options	Please choose your industry											Response Count
	Agriculture, Forestry and Fishing	Mining	Construction	Manufacturing	Transportation, Communications, Electric, Gas and Sanitary service	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Public Administration	Non-classifiable	
Competitor policies	0	0	0	0	1	0	0	2	0	0	2	5
Industry norms	0	0	5	1	7	2	3	11	8	2	10	49
Employee retention	0	0	3	0	1	1	0	1	2	0	0	8
Expenses that may be reimbursed tax free	0	0	5	1	5	3	2	5	3	1	3	28
Employee motivation	0	0	0	0	0	0	1	2	1	0	1	5
Other	0	0	3	0	1	1	2	3	2	0	0	12
Other (please specify)												16

answered question

73

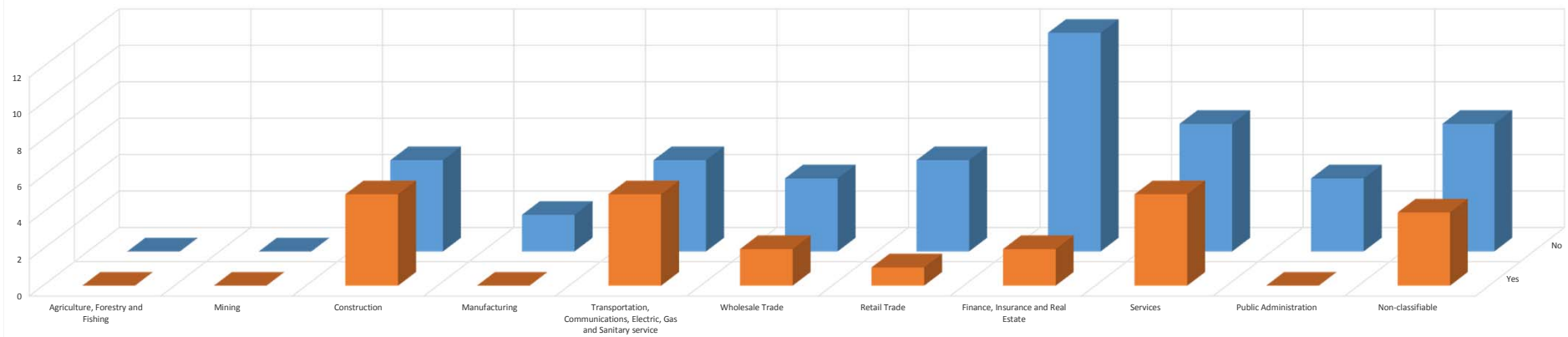
skipped question

2



Taxation of employee expenses - HMRC call for evidence
Does your firm pay cash allowances instead of reimbursing specific expenses?

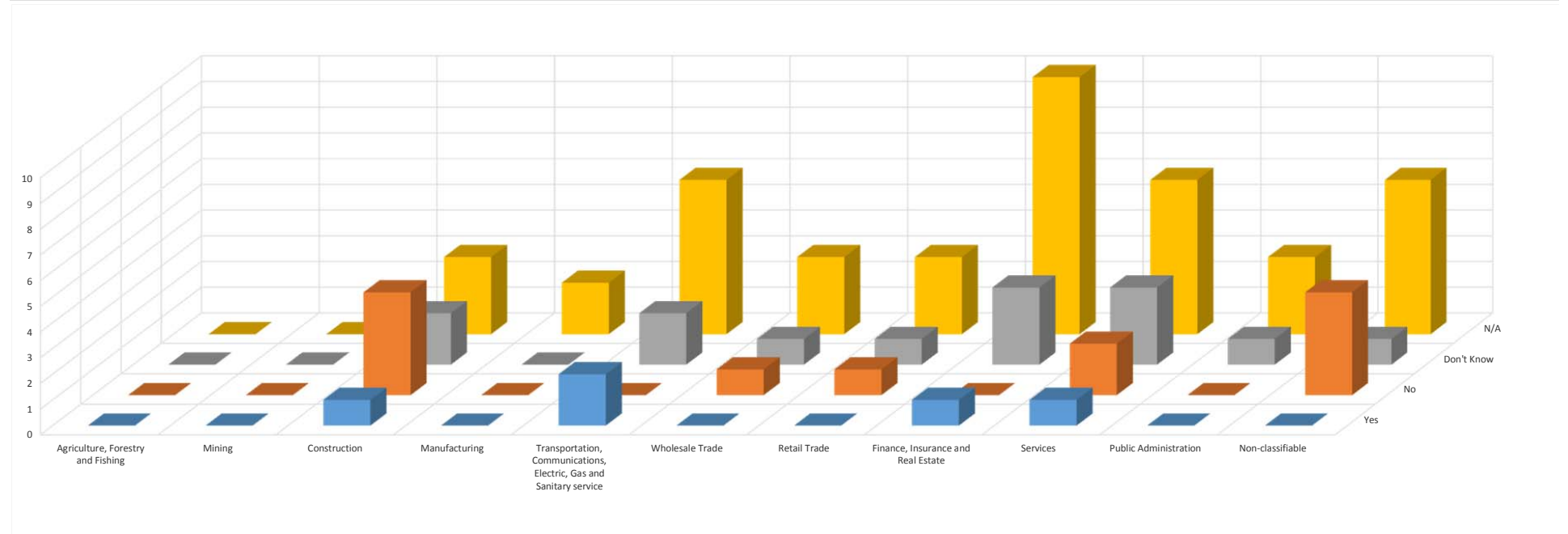
Answer Options	Please choose your industry											Response Percent	Response Count
	Agriculture, Forestry and Fishing	Mining	Construction	Manufacturing	Transportation, Communications, Electric, Gas and Sanitary service	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Public Administration	Non-classifiable		
No	0	0	5	2	5	4	5	12	7	4	7	68.0%	51
Yes	0	0	5	0	5	2	1	2	5	0	4	30.7%	23
												<i>answered question</i>	75
												<i>skipped question</i>	0



Taxation of employee expenses - HMRC call for evidence

If employees do receive a cash allowance, do they claim relief on the underlying expenses?

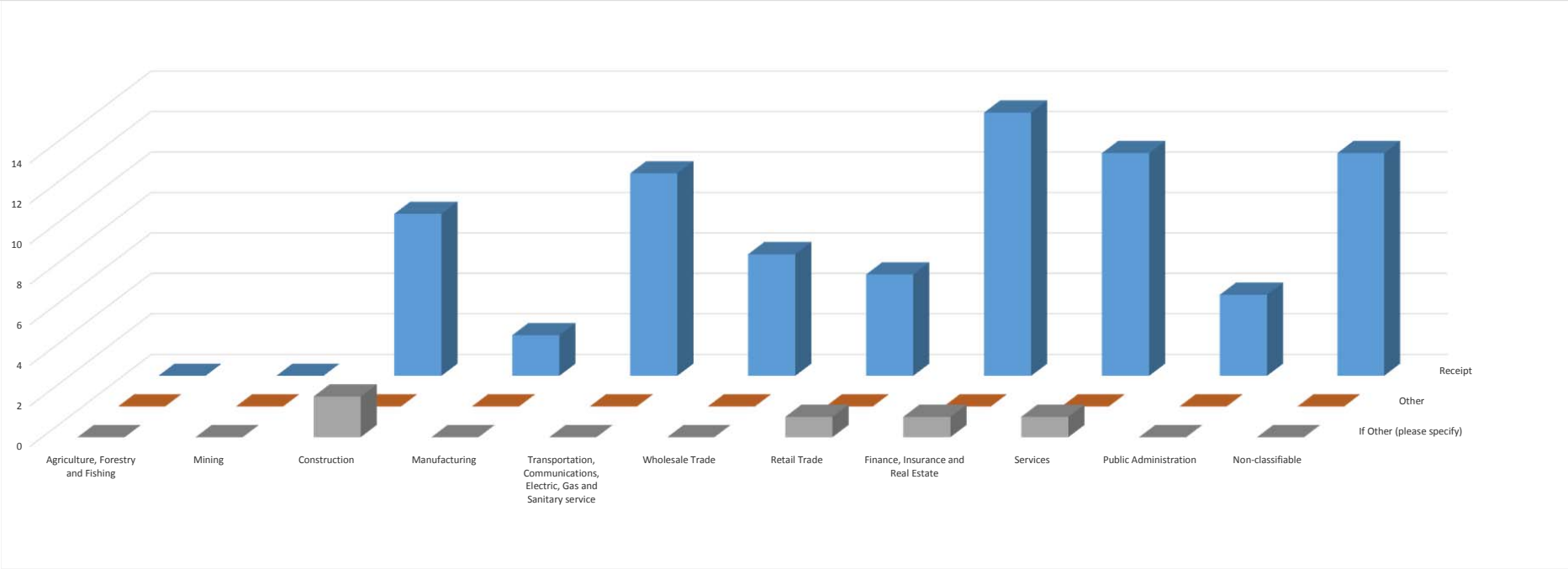
Answer Options	Please choose your industry											Response Percent	Response Count
	Agriculture, Forestry and Fishing	Mining	Construction	Manufacturing	Transportation, Communications, Electric, Gas and Sanitary service	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Public Administration	Non-classifiable		
Yes	0	0	1	0	2	0	0	1	1	0	0	6.8%	5
No	0	0	4	0	0	1	1	0	2	0	4	16.4%	12
Don't Know	0	0	2	0	2	1	1	3	3	1	1	19.2%	14
N/A	0	0	3	2	6	3	3	10	6	3	6	57.5%	42
												<i>answered question</i>	73
												<i>skipped question</i>	2



Taxation of employee expenses - HMRC call for evidence

What evidence does your organisation accept as evidence of an expense before reimbursing the employee?

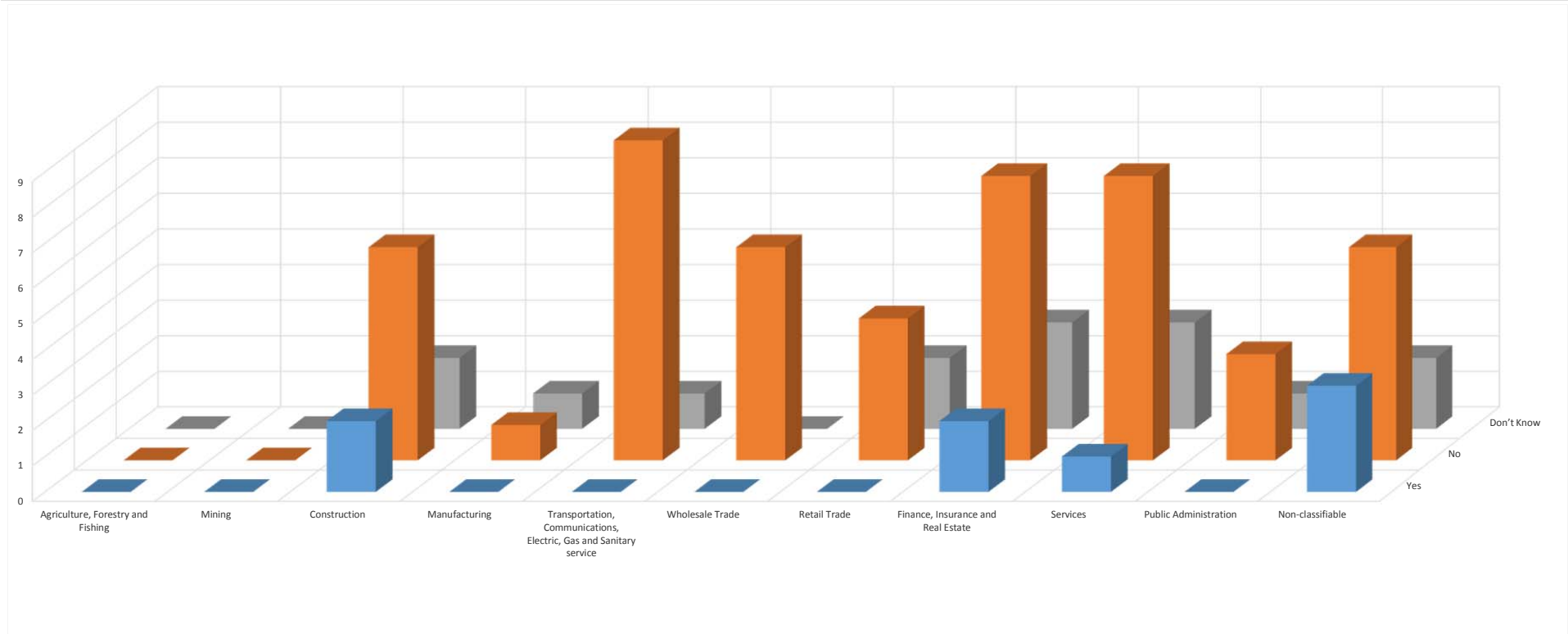
Answer Options	Please choose your industry											Response Percent	Response Count
	Agriculture, Forestry and Fishing	Mining	Construction	Manufacturing	Transportation, Communications, Electric, Gas and Sanitary service	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Public Administration	Non-classifiable		
Receipt	0	0	8	2	10	6	5	13	11	4	11	93.3%	70
Other	0	0	0	0	0	0	0	0	0	0	0	0.0%	0
If Other (please specify)	0	0	2	0	0	0	1	1	1	0	0	6.7%	5
answered question													75
skipped question													0



Taxation of employee expenses - HMRC call for evidence

In your opinion, do you think your employees know the tax rules for expenses and how to claim directly or indirectly from HMRC?

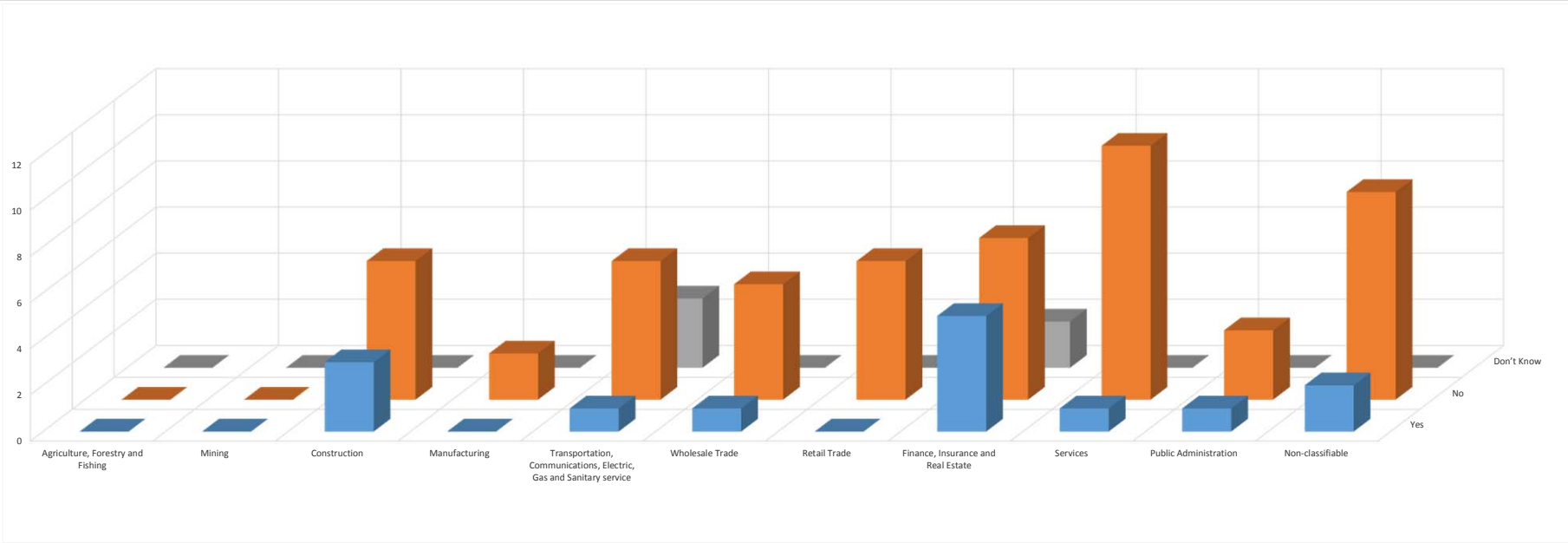
Please choose your industry												Response Percent	Response Count
Answer Options	Agriculture, Forestry and Fishing	Mining	Construction	Manufacturing	Transportation, Communications, Electric, Gas and Sanitary service	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Public Administration	Non-classifiable		
Yes	0	0	2	0	0	0	0	2	1	0	3	10.8%	8
No	0	0	6	1	9	6	4	8	8	3	6	68.9%	51
Don't Know	0	0	2	1	1	0	2	3	3	1	2	20.3%	15
												<i>answered question</i>	74
												<i>skipped question</i>	1



Taxation of employee expenses - HMRC call for evidence

Does your organisation provide support or information to employees on how to claim relief from HMRC e.g. guidance via an internal portal etc?

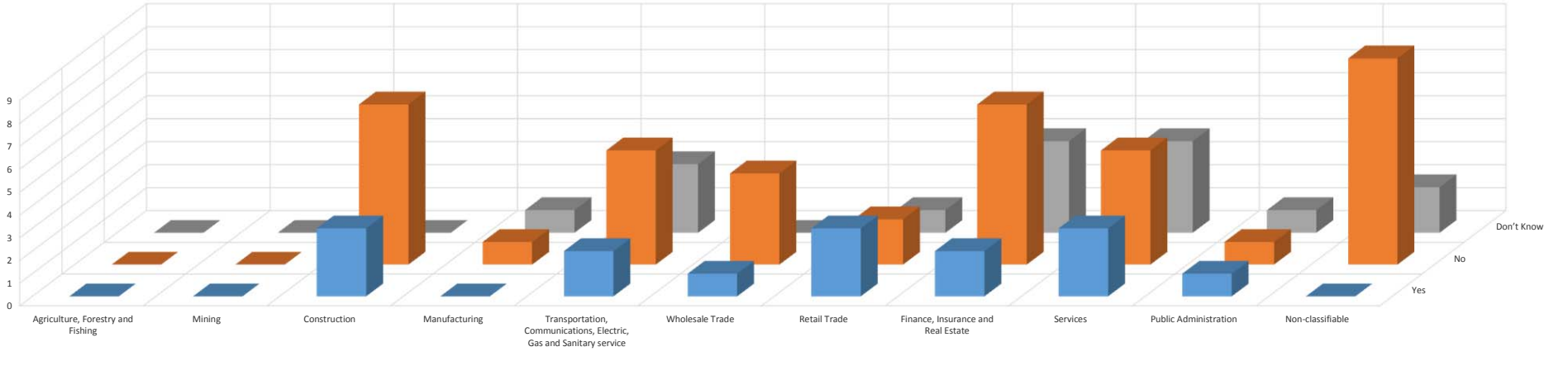
Please choose your industry												Response Percent	Response Count
Answer Options	Agriculture, Forestry and Fishing	Mining	Construction	Manufacturing	Transportation, Communications, Electric, Gas and Sanitary service	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Public Administration	Non-classifiable		
Yes	0	0	3	0	1	1	0	5	1	1	2	18.9%	14
No	0	0	6	2	6	5	6	7	11	3	9	74.3%	55
Don't Know	0	0	0	0	3	0	0	2	0	0	0	6.8%	5
												answered question	74
												skipped question	1



Taxation of employee expenses - HMRC call for evidence

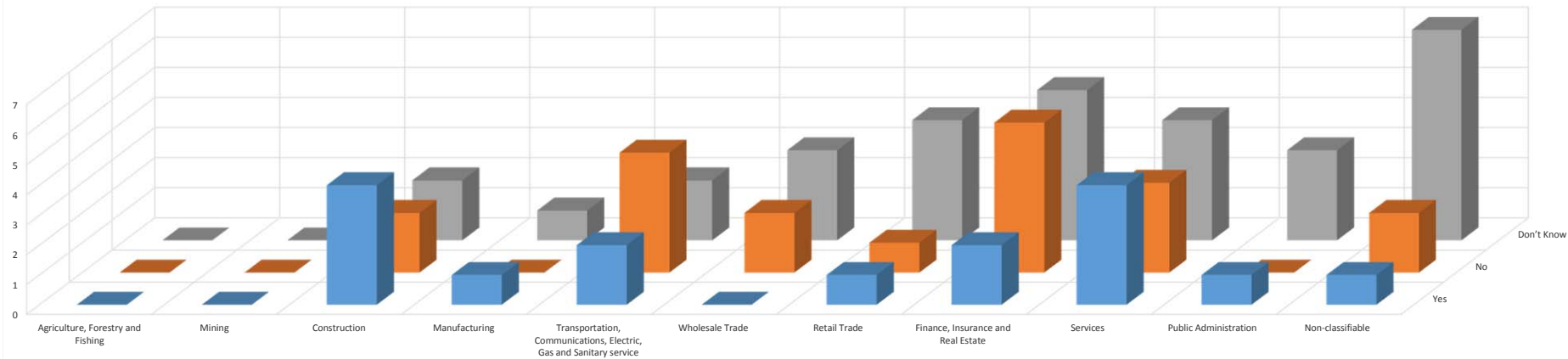
Based on your organisation, has the type and cash value of employee expenses that are incurred and reimbursed changed in the last 5-10 years?

	Please choose your industry												
Answer Options	Agriculture, Forestry and Fishing	Mining	Construction	Manufacturing	Transportation, Communications, Electric, Gas and Sanitary service	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Public Administration	Non-classifiable	Response Percent	Response Count
Yes	0	0	3	0	2	1	3	2	3	1	0	5.3%	4
No	0	0	7	1	5	4	2	7	5	1	9	54.7%	41
Don't Know	0	0	0	1	3	0	1	4	4	1	2	21.3%	16
If the answer is yes, please briefly explain	0	0	3	0	2	1	3	1	3	1	0	18.7%	14
												answered question	75
												skipped question	0



Taxation of employee expenses - HMRC call for evidence
Do you think HMRC's flat rate expense allowances are still appropriate?

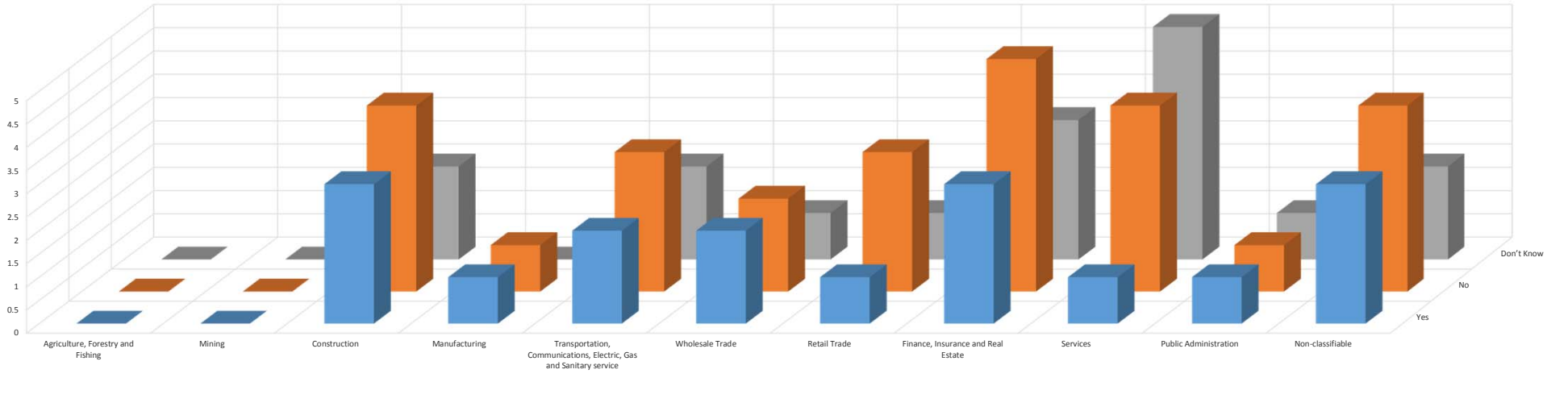
Answer Options	Please choose your industry											Response Percent	Response Count
	Agriculture, Forestry and Fishing	Mining	Construction	Manufacturing	Transportation, Communications, Electric, Gas and Sanitary service	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Public Administration	Non-classifiable		
	0	0	4	1	2	0	1	2	4	1	1		
	0	0	2	0	4	2	1	5	3	0	2		
	0	0	2	1	2	3	4	5	4	3	7		
Yes	0	0	2	0	4	1	1	2	3	0	1	21.3%	16
No	0	0	2	0	4	2	1	5	3	0	2	18.7%	14
Don't Know	0	0	2	1	2	3	4	5	4	3	7	41.3%	31
If no, please briefly explain (e.g. amounts too low, particular sector missing etc.)	0	0	2	0	4	1	1	2	3	0	1	18.7%	14
answered question													75
skipped question													0



Taxation of employee expenses - HMRC call for evidence

In your opinion, do the current tax rules on employee expenses reflect modern working practices?

Answer Options	Please choose your industry											Response Percent	Response Count
	Agriculture, Forestry and Fishing	Mining	Construction	Manufacturing	Transportation, Communications, Electric, Gas and Sanitary service	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Public Administration	Non-classifiable		
	0	0	3	1	2	2	1	3	1	1	3		
	0	0	4	1	3	2	3	5	4	1	4		
	0	0	2	0	2	1	1	3	5	1	2		
If the answer is no, please briefly explain (e.g. are there any types of expenses which are not tax relieved but which should be or vice versa?)	0	0	1	0	3	1	3	5	4	1	4	29.3%	22
answered question													75
skipped question													0





Taxation of employee expenses
Call for Evidence Response by KPMG LLP

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