



Benchmark Scale Rates & Overseas Scale Rates



Would you like a copy of your receipt?

When travelling on business, as a requirement under their employer's expenses policy, the automatic answer to this question for most employees would be 'yes'.

From 6 April 2019, for employers using benchmark scale rates (BSRs) and overseas scale rates (OSRs) to reimburse qualifying travel and subsistence expenses, there is an opportunity to significantly reduce the administrative burden associated with expense reimbursement, in addition to playing a small part in tackling climate change and increasing their green credentials.

What measures are changing?

Following the introduction of the business expenses exemption in April 2016, there has been a requirement for employers using the BSRs set out in the Income Tax (Approved Expenses) Regulations to have a "checking procedure" in place to review employees' receipts (or other documentary evidence). This is to ensure that qualifying expenses have been incurred by employees making business expense claims. It also requires employees to retain receipts to support all expense claims, as their expense claims may be subject to review as part of their employer's "checking procedure". The administrative easement in opting to use BSRs has been limited to date, particularly for employers with large mobile workforces.

The good news is that from **6 April 2019**, employers no longer need to have a "checking procedure" in place in order to pay the BSRs free from tax and National Insurance Contributions (NICs), effectively removing the obligation for employees to retain evidence of any amounts spent. The measure also places the currently concessionary accommodation and subsistence OSRs onto a statutory basis and, similarly, there will be no requirement for employers to check evidence of any amounts spent. Employers will only be asked to ensure that employees are undertaking qualifying business travel in order to pay the BSRs and OSRs free from tax and NICs.

In addition to the removal of the requirement to check evidence of amounts spent, HMRC also accept that employers with employees travelling to places not listed in the table of OSRs can pay or reimburse their employees' accommodation and subsistence expenses using the rates applicable to the closest city listed for that country. If the country that the employee is visiting is not listed in the table of overseas scale rates the employer can pay or reimburse their employees' expenses using the rates applicable to the closest city geographically that is listed. Previously employees travelling to these jurisdictions have not been able to avail of the OSRs.

Where employers do not use BSRs and OSRs, and instead reimburse the actual costs of travel and subsistence incurred on a receipts basis, the above administrative easement will not be applicable and evidence should continue to be retained by employees to support all such expense claims in the event of an HMRC compliance check.

Areas of complexity

Whilst these measures may represent a more efficient way of reimbursing travel and subsistence costs for employers currently reimbursing costs on a receipts basis, there are a number of areas of complexity that employers should continue to be aware of.

- 1 Whilst from 6 April 2019 employers will no longer be required to check evidence of amounts spent by employees, there is an obligation to check that qualifying travel has been undertaken. Robust procedures should be in place to ensure that payments are not made in respect of non-qualifying travel (e.g. travel to a permanent workplace, or in respect of a journey which is substantially ordinary commuting), which continues to be an area of complexity for employers.
- 2 Processes and procedures should also be in place to ensure that employees have been away from their normal place of work for sufficient time, in line with any hourly BSR or OSR payment being made.

- 3 Employees working overseas for longer periods may stay in vacant residential property or a serviced flat with cooking and/or laundry facilities rather than a hotel. In these circumstances the applicable OSR is reduced depending on how long the employee is staying in the property.
- 4 Employers should also consider the impact of using BSRs and OSRs on overall costs associated with business expense reimbursement to include the potential loss of input VAT recovery in switching from the receipts basis to scale rate payments. Care should always be taken when considering changes to policies, procedures and employee terms and conditions.

What are the current BSRs and OSRs? *Benchmark Scale Rates*

Travel time	Maximum meal allowance	Maximum meal allowance if travel is still ongoing at 8pm
5 hours or more	£5	£15
10 hours or more	£10	£20
15 hours or more and ongoing at 8pm	£25	£25

In addition to the above rates, employers can reimburse “incidental overnight expenses” up to £5 per night for travel within the UK, and £10 per night travel outside the UK free from tax and NICs. Incidental overnight expenses are personal (non-business) expenses incurred by an employee while travelling overnight on business such as buying newspapers, paying for laundry or phoning home.

Overseas scale rates

The OSRs effective from 1 October 2014 to 5 April 2019 can be found [HERE](#).

The OSRs effective from 6 April 2019 can be found [HERE](#).

Summary

Options	Should I have an approval notice	Do I need to do sampling to agree an amount for the scale rate I want to pay?	Do I need a regular checking system?	Can it be used in the UK and abroad?
1 To use benchmark scale rate payments	No	No	No, but you should ensure employees are undertaking qualifying travel (from 6 April 2019)	Yes
2 To use the agreed industry scale rate overnight allowance of £26.20 (or £34.90 for employees not staying in sleeper cabs)	Yes	No	Yes	Only in the UK
3a To use a bespoke scale rate already agreed with HMRC between 5 April 2011 and 5 April 2016	Yes	No	Yes	Yes
3b To secure a new bespoke scale rate	Yes	Yes	Yes	Yes
4 To use identical overnight expenses	No	No	No	Yes
5 To use overseas scale rate payments	No	No	No, but you should ensure employees are undertaking qualifying travel (from 6 April 2019)	Only abroad
6 To pay back employees’ actual expenses	No	No	You should check employees’ evidence of expenses	Yes

How KPMG can help: KPMG’s Employment Tax team can assist with all aspects of employee expenses. This includes reviewing and updating expense policies, tax compliance reviews, and consideration of other ways of potentially reducing employee expense costs.

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