



## **HMRC – Overnight Allowance Guidance**

**Extracted from .gov on the 16 September 2017**

The HMRC have provided guidance on the application of overnight allowances for lorry drivers. The original guidance is in the form of web pages. To make it easier for operators the RHA has put the guidance into this pdf format.

The originals can be found at the links below.

Extract from HMRC employment income manual

<https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim66205>

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### **Tax treatment of lorry drivers: employer guidance: scale rate payments to drivers**

As an employer, you can either reimburse your drivers for their actual travel costs incurred when staying away from home or a set rate, for example benchmark scale rates for meal allowances or a lorry driver's overnight subsistence allowance.

Whether you are reimbursing actual costs or paying a set rate, your employee must have actually incurred a qualifying expense during their journey.

#### **Checking system**

Whether you are reimbursing actual costs or paying scale rates the employee must actually have incurred a qualifying expense.

When paying the scale rate payments you may want to check all claims or a sample of claims, depending on the type of checking system you have in place. For further information about checking systems, see the [frequently asked questions](#).

The following 6 options are open to employers for the reimbursement of expenses.

## 1. Benchmark scale rate payments

Where an employee has to spend money as a result of a business journey in the UK, and incurs an allowable expense while on that journey, you can pay up to the maximum published benchmark scale rates for day subsistence, in respect of travel. You do not need to have an agreement with HMRC in place, known as an approval notice, to reimburse these amounts. However, you will need to have a checking system in place to ensure employees are actually incurring expenses while travelling. For overseas travel, see option 5.

Minimum journey time	Maximum amount of meal allowance
5 hours	£5
10 hours	£10
15 hours (and ongoing at 8pm)	£25

Where a benchmark scale rate of £5 or £10 is paid and the qualifying journey lasts beyond 8pm, a supplementary rate of £10 can be paid to cover the additional expenses necessarily incurred as a result of working late.

## 2. Agreed industry scale rate –lorry drivers’ overnight subsistence allowance

You can apply to HMRC for an approval notice to use the agreed haulage industry scale rate for overnight stays away from home. This is currently £34.90, or 75% of this figure (£26.20) where the driver uses a sleeper cab, and incurs subsistence expenses after starting their journey. These are the maximum amounts that can be paid free of Income Tax and NICs under the agreed industry scale rate.

You will also need to have a checking system in place to ensure periodic checks are carried out on a sample of employees. This is to ensure employees are incurring expenses for meals and other subsistence costs while travelling, and that the payment remains a reasonable estimate of the costs usually incurred. A meal is a combination of food and drink in accordance with a normal dictionary meaning of the word.

## 3. Bespoke agreements

If your company wishes to pay more than the agreed industry scale rate, you will need to apply for an individual bespoke scale rate. You will be required to do a sampling exercise to establish a reasonable estimate of the expenses actually

incurred by your employees after starting their journey. This can be for daily subsistence, overnight subsistence costs or both. Further information on sampling requirements to agree bespoke rate can be found [here](#).

You will need to have a checking system in place in order to periodically randomly check expense claims. The checks will ensure that the payments remain a reasonable estimate of the costs actually incurred and are not excessive.

## **4. Other allowances**

You can also pay or reimburse employees incidental overnight expenditure where they incur additional incidental costs on journeys when staying away from home (up to £5 per night for overnight stays in the UK and up to £10 for overnight stays abroad). This is in addition to the arrangements detailed above.

Where your employees have multiple nights away from home in a single continuous trip, the maximum claim per night for overnight stays is averaged for the whole trip, rather than calculating it for each night. For example, if your employee is away from home for 3 nights in the UK, the limit is £15 for the 3 nights. You can reimburse more than £5 for any given night as long as the total reimbursement for the 3 nights does not exceed £15. If a payment is made that exceeds these limits, the whole payment becomes taxable and not just the excess.

## **5. Overseas scale rates**

HMRC publishes [overseas scale rate payments](#) for employees who stay away from home overnight outside the UK. You do not need to apply for an approval notice or check evidence of actual spending to reimburse the overseas scale rates; however, the employee must be travelling outside the UK for work.

## **6. Direct expenses claims**

You may instead decide to pay or reimburse actual expenditure, where your employees provide evidence for the actual expense incurred.

## 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 be used in the UK and abroad?
1. To use benchmark scale rate payments	No	No	Yes	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 to 5 April 2016	Yes	No	Yes	Yes
3b. To use a new bespoke scale rate	Yes	Yes	Yes	Yes
4. To use incidental overnight expenses	No	No	No	Yes
5. To use overseas scale rate payments	No	No	No	Only abroad
6. To pay back employees actual expenses	No	No	You should check employees evidence of expenses	Yes

Extract from HMRC FAQ

<https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim66210>

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## **Tax treatment of lorry drivers: employer guidance: scale rate payments to drivers: frequently asked questions**

As an employer, you can either reimburse your drivers for their actual travel costs incurred when staying away from home or a set rate, for example benchmark scale rates for meal allowances or a lorry driver's overnight subsistence allowance.

Whether you are reimbursing actual costs or paying a set rate, your employee must have actually incurred a qualifying expense during their journey.

### **Q1. How do I apply for an approval notice?**

To apply for an approval notice, you can complete [bespoke scale rate application form](#).

### **Q2. What information will I need to include in the approval notice if I want to pay the agreed industry scale rate?**

To apply for an approval notice, you will need to:

- advise HMRC that you intend paying the agreed overnight rate to drivers who stay away from their home or normal place of work overnight in the UK
- confirm that you have a checking system in place to ensure that payments are only made on occasions when the employee was away from home overnight and incurred qualifying expenses after starting their journey

### **Q3. If a driver starts their period of continuous travelling and buys all their food for that period once they have started the qualifying journey; would their receipts or other evidence be allowable for checking against the industry scale rate without deducting Income Tax and National Insurance contributions?**

Yes - as long as the expenditure is incurred after the qualifying journey has started.

#### **Q4. How often do I have to apply for approval notices?**

The approval notice is valid for a period of up to 5 years unless you alter or cease the checking systems for payments agreed within your approval notice, or the nature of the scale rate expenses you pay changes. HMRC can revoke an approval notice where it finds evidence that the conditions are not being followed, or if the information provided as part of the application is not accurate.

#### **Q5. How much can I pay under the industry-wide scale rate system?**

There are 2 rates for overnight subsistence in the UK for hauliers. If your employee stays in their sleeper cab, they can claim up to £26.20 per night. If your employee does not have a sleeper cab, they can claim up to £34.90 per night. The allowance covers the cost of food and other costs such as, the upkeep of the cab. As long as you have a valid approval notice and checking system in place, you do not have to deduct Income Tax and National Insurance contributions (NICs) from these payments.

#### **Q6. What if I can't operate a checking system because it would take up too much of my time?**

Where this is the case, if you reimburse your employee's expenses you must do so through the PAYE system, deducting tax and NICs. Where tax relief is due on these expenses, employees can claim tax relief on their travel expenses directly from HMRC.

Employees can claim tax relief on travel and subsistence expenses incurred while working in some circumstances. If you, as an employer, do not reimburse or pay the sleeper cab allowance rate of £26.20 (or £34.90 if the lorry doesn't have the sleeper cab), or if they incur expenses in excess of the amount reimbursed they can claim tax relief on the amounts they spent from HMRC. In practice, this means that they will only be able to get tax relief on the amount they spent (in most cases only 20%) rather than the full expense incurred. To make a claim online, employees should complete a form P87 or apply via their [Personal Tax Account](#).

If their claim for a financial year period is more than £2,500, they will need to complete a Self Assessment tax return.

Please note that employees cannot claim tax relief on incidental overnight expenses if you, as an employer, do not reimburse these.

## **Q7. What happens if the drivers do not have receipts?**

If you reimburse employees expenses under a scale rate system you must have a checking system in place to show that your employees have actually incurred an allowable expense.

Appropriate evidence, usually receipts, will be routinely expected for the purpose of checking, however occasionally there will be items for which receipts or other documentary evidence may be difficult to get. You will need to check the reasons for a lack of evidence and that there is some expenditure to support these claims.

In circumstances when receipts are not available, for example a meal at a truck stop – a timestamped photo of the meal or other form of digital evidence on a smartphone is acceptable.

## **Q8. What happens if the driver doesn't have receipts for the full £26.20 (or £34.90 for drivers without sleeper cab) when selected as part of the checking system?**

In agreeing the industry-wide scale rates HMRC accepts that when looking at individual cases the amounts drivers actually spend each night they are away from home in the UK will differ. A proportion of the scale rate payment is also designed to cover the cost of laundry of their bedding and personal washing that it may be difficult to get contemporaneous evidence for. HMRC expects employers to confirm that employees are incurring subsistence costs on meals, but it does not expect that drivers will always have receipts covering the full amount of £26.20 (or £34.90 for drivers who don't use sleeper cabs).

## **Q9. Can you tell me how many employees I should check?**

There are different models of checking systems which will vary depending on the size of the employer or nature or number of the trips employees are required to make. [HMRC guidance](#) provides some examples for employers, but accepts that these may not be appropriate in every case. When applying for an approval notice, you must detail a system that checks a representative number of both your employees and journeys undertaken. This is to ensure the processes are working, you are only paying these rates on qualifying occasions and the amount paid reasonably reflects the costs incurred by your employees.

Employers must keep evidence that they have undertaken the checks agreed when their approval notice was issued and that payments are only made on qualifying occasions and that costs are incurred.



## **Q10. My business is international and I have drivers travelling outside the UK. How much can I pay them for their overnight subsistence?**

When your employees travel outside the UK for work and are required to stay away from home overnight as a result, you can either reimburse their actual subsistence costs or pay them using the HMRC [overseas rates](#). If you use these rates, you will not need to seek evidence of the amount they have spent or undertake any additional checks as long as you are satisfied that they have been away from the UK for work purposes.

## **Q11. How long do drivers need to keep evidence of their expenditure?**

HMRC does not set the time limit - you will need to decide how long your employees should keep receipts or other evidence of a qualifying expense for, as it depends on your company's checking system. For example, if you have a quarterly checking procedure once the quarterly date has passed, and your checks have been finalised, your employees would no longer need to keep the receipts or other evidence for that quarter.

You will need to keep appropriate evidence of what checks you have undertaken, depending on the system you have in place. For example, a note in a ledger showing names of randomly selected employees, the occasions when a payment was made during that review period, and the expenditure they have been able to evidence with receipts or other evidence.

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