

# Paying for transport costs

To ease financial burden on employees, many employers may want to pay for transport costs for their employees when they return to work. But what are the tax implications for doing so?

The coronavirus pandemic led to many people working from home where possible, as per Government guidelines. Recent guidance, however, suggests that people should begin to return to workplace, where they are unable to work from home, such as in the manufacturing and construction industry.

In order to try to ensure the safety of the workforce or to help ease the financial burden on employees during this difficult time, many employers may want to pay for transport costs for their employees when they return to work. There are however tax implications of doing so.

If you pay or refund your employee the cost of transport from work to home, this is considered to be a benefit because journeys between an employee's workplace and their home are classed as private journeys.

## What are the exemptions?

In some circumstances there is an exemption from paying tax on this benefit. For this to happen, all of the following four conditions must be met:

1. the employee has to work later than usual, and until at least 9pm
2. this happens irregularly
3. by the time the employee finishes work either public transport has stopped or it would not be reasonable to expect them to use public transport
4. the transport is by taxi or similar road transport

Your employees may regularly travel to work using a car sharing arrangement with another employee. If this arrangement stops because of unforeseen circumstances which are coronavirus related, and as the employer you provide transport or reimburse the transport costs of your employee's home to workplace journey, this may also be exempt.

The total number of exempt journeys cannot exceed 60 journeys in a tax year, and this is a single limit that applies to the late-night journeys and the failure of any car-sharing arrangement added together.

## What if my employees do not meet the requirements?

If the requirements above are not met, free or subsidised transport is taxable and should be reported through a PAYE Settlement Agreement as a coronavirus related benefit.

The PAYE Settlement Agreement (PSA) allows an employer to make one annual payment to cover all the tax and National Insurance due on these minor, irregular, or impracticable expenses or benefits for their employees.



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