HM Revenue
& Customs

Local Compliance
Specialist Employer Compliance S0864
PO Box 3900
GLASGOW
G70 6AA

Orange Genie Cover Ltd
F.A.O. Mr Ross Baker – Finance Director
3rd Floor,
Buckingham House
Aylesbury
Buckinghamshire
HP20 2LA

Tel 0131 453 8792

Fax 0131 453 8806

www.hmrc.gov.uk

Date 11 March 2013
Our ref LC/SEC/SO864/**951/JZ77244**/EAT/CMD
Your ref

Dear Mr Baker

Orange Genie Cover Ltd
Dispensation for Particular Expenses Payments and Other Matters

This dispensation applies to the expenses payments, benefits and facilities that are set out below. For the purposes of this dispensation these matters are referred to collectively as "expenses payments and benefits". It means you will not have to report these expense payments and benefits at the end of the year on forms P11D or P9D. It revokes from the date of this dispensation any previous dispensation covering expense payments or benefits.

I am giving you this dispensation because I am satisfied, on the basis of what you have told me, that no additional tax would be payable by the employees concerned on these expenses payments and benefits. I am authorised to do this by Section 65 and Section 96 of the Income Tax (Earnings and Pensions) Act 2003.

The dispensation applies only to the expense payments and benefits, set out below, in the circumstances there set out. If the expense payments or benefits are paid or provided in circumstances that give rise to additional tax, this dispensation will need to be revoked. Where necessary, the revocation may apply to expense payments and benefits already provided. In that case additional tax and NIC will be due.

It is important that you let me know if you alter your system for controlling expense payments and benefits, or increase their amounts, or change their nature or make any other changes that may affect their taxability.

Payments and benefits that are in any way different, or are provided in circumstances that differ, from those set out below will not be covered by this dispensation and should be reported in the normal way.

Yours sincerely

Colin McDonald

Colin McDonald
Specialist Employer Compliance Officer

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To learn more about your rights and obligations go to hmrc.gov.uk/charter

This dispensation is effective from: 6 April 2013

Employees covered by this dispensation:

A. **Directors, engaged on a permanent contract of service, where the directors' expenses claims are independently checked and authorised by another person, or where full receipts or relevant vouchers are held in support of the expenditure.**

B. **All other employees (including both employees on permanent contracts of service and temporary workers engaged under overarching contracts of employment), whose claims are independently checked and authorised by another person, except**

- **where the exemptions provided by this Dispensation Notice in any year would bring their total earnings (including all expenses and benefits) below £8,500 and**
- **there are other payments of expenses and benefits which would thereby cease to be taxable under the benefits code in Section 63 ITEPA 2003.**

Employees not covered by this Dispensation

- **non-UK domiciled individuals working in the UK who have an employment relationship with an employer resident outside the UK and**
- **any worker who is subject to the Pay Day by Pay Day Business Model (also described as the Personal Tax Relief Business Model), any model akin to this or any model which gives tax relief at source for expenses. Copies of two HM Revenue and Customs statements covering this model are enclosed.**

Nature of Payments and Benefits Provided

Business Entertaining
The cost of entertaining customers or potential customers, suppliers or other business connections, at genuine business occasions. This section only applies to expenditure that falls to be disallowed in the employer's accounts in accordance with Section 45 ITTOIA 2005 or Section 577 ICTA 1988.

The following can usually be regarded as reasonable and genuine business occasions:

- product launches
- lunches and similar events for customers or potential customers at which business is discussed
- exhibitions and similar events at which products are on display for customers

Claims for entertaining expenses should be supported with records of the amounts spent on particular occasions, the nature of the entertainment, the persons entertained and the reasons for the entertainment.

Professional Fees and Subscriptions
Professional Fees and Subscriptions paid by or on behalf of an employee to an organisation, included in HM Revenue & Customs List 3, where the activities of the organisation are relevant to the office or employment in accordance with Section 343 and 344 Income Tax (Earnings and Pensions) Act 2003.

The activities of the organisation are relevant to the office or employment if the performance of the duties is directly affected by the knowledge that the organisation exists to provide, or they involve the exercise of the profession the organisation represents.

Home telephone (Main line)/ Personal Mobile Telephone
Reimbursement of the cost of business calls made from a private home telephone or employee's personal mobile telephone, where justified by reference to the itemised bills. The line rental remains the personal liability of the subscriber.

Travel (Excluding Mileage Allowances)
Reimbursement of the costs actually incurred by employees, when supported by receipts, on journeys undertaken for business purposes by road (excluding mileage allowances), rail, air and sea, but excluding ordinary commuting. This includes the provision of hire cars for business journeys, where supported by receipts.

Minor business travel expenditure such as parking, road and bridge tolls and tube fares for which receipts are not available may be reimbursed under the terms of this dispensation notice providing that there is alternative supporting documentation to confirm that the expenses were necessarily incurred.

For further guidance on qualifying business travel please see booklet 490 (Employee Travel – A tax and NICs guide for employers).

Exclusion of Ordinary Commuting
Travel between an employee's home, or any other place that is not a workplace and his /her normal place of work is ordinary commuting and is not covered by the dispensation.

Note:
Dispensations are no longer available in respect of mileage allowances paid to employees using their own vehicles for business travel. Amounts not exceeding the qualifying amount, the number of miles of business travel multiplied by the currently applicable rates, are exempt from tax. Amounts in excess of the approved amount are always taxable. The current rates can be found at www.hmrc.gov.uk/rates/travel.htm. Earlier rates can be found from a link on that page.

Subsistence
The reasonable and necessary cost of a meal/snack and beverages incurred by an employee whilst undertaking travel the expenses of which are included the section relating to Travel (Excluding Mileage Allowances). The travel must occupy the whole or a substantial part of a working day encompassing the normal meal breaks. Claims must be supported by relevant receipts.

The reasonable cost when supported by the relevant receipts or invoices of accommodation, breakfast, lunch, if applicable, and an evening meal (except where accompanied by a spouse or relative etc) incurred by an employee who is required to stay overnight in the course of such a journey. The travel can be either within or outside the UK but the employee must be working away on company business.

United Kingdom Benchmark Scale Rates for Day Subsistence

The scale rate/meal allowance is for when an expense has been incurred in circumstances where a meal is not provided with overnight accommodation or to individuals holding travelling appointments. These allowances are intended to do no more than reimburse the actual costs incurred.

Breakfast rate (irregular early starters only) - A rate of up to £5.00 may be paid where a worker leaves home earlier than usual and before 6.00am and incurs a cost on breakfast taken away from their home.

One meal rate (five hour rate) – A rate of up to £5.00 may be paid where the worker has been away from their home/normal place of work for a period of at least five hours and has incurred a cost on a meal.

Two meal rate (ten hour rate) – A rate of up to £10.00 may be paid where the worker has been away from their home/normal place of work for a period of at least ten hours and has incurred a cost on a meal or meals.

Late evening meal rate (irregular late finishers only) – A rate of up to £15.00 may be paid where the employee has to work later than usual, finishes work after 8.00pm having worked his normal day and has to buy a meal which he would usually have at home.

Excluded from the dispensation are the cost of videos, newspapers, beverages not complementing an evening meal and private telephone calls, all of which are covered by the legislation relating to Incidental Overnight Expenses. (Please read Appendix 8 of the HM Revenue & Customs booklet 480 for further information).

The maximum amounts of incidental overnight expenses that an employer may reimburse free of tax are
£5 per night for overnight stays anywhere within the United Kingdom (Great Britain and Northern Ireland) and
£10 per night for stays outside the United Kingdom

If the total amount paid exceeds the maximum tax free amount for the period of absence the whole of the payment becomes taxable not just the excess.

Sundry business expenses
Reimbursement of the cost of tools, equipment, materials and services necessarily purchased by employees for the performance of their duties or the business needs of the company. The relevant receipts must support the claims and any tools, equipment or materials surplus to requirements remain the property of the company.
This section *specifically excludes* all expenses relating to the service provision or cost of either Telephone or Internet/Broadband facilities.