

# SUBSISTENCE

## WHAT IS SUBSISTENCE?

Subsistence refers to necessary expenses incurred while travelling for business. This typically covers food, drink, and accommodation costs when an employee or director is away from their normal place of work. A normal place of work includes the place where you work most frequently, and a place where you work regularly.

You can reimburse your employee for the entire cost of their travel and subsistence if they provide you with receipts, or you can pay a fixed allowance that they can spend during their trip based on HMRC's Benchmark Scale Rates.



## QUALIFYING EXPENSES

To qualify, subsistence expenses must meet the following criteria:

- ✓ The travel is necessary for business purposes.
- ✓ The cost is reasonable and not excessive.
- ✓ The expense is not classed as ordinary commuting (for example, travel between home and a regular workplace).
- ✓ The employee or director is away from their normal place of work for at least 5 hours.
- ✓ The cost must have been incurred after the trip had started.

## WHICH EXPENSES CAN BE CLAIMED?

- Reasonable costs for food and non-alcoholic drinks during business-related travel.
- Accommodation, such as a hotel room, if an overnight stay is required.
- Incidental expenses - small costs such as parking, Wi-Fi, or laundry for overnight stays.

# CURRENT DOMESTIC SUBSISTENCE ALLOWANCE RATES

If employees are not reimbursed for actual costs incurred, the following maximum rates provided by HMRC can be used to reimburse employees tax and NIC free for their subsistence, provided the qualifying conditions are met.

You may provide a higher travel allowance to your employees, however tax will be due on excess allowance over the given HMRC rates.

Employers wishing to pay or reimburse employees expenses at a rate other than that set out above can apply to HMRC for the approval of a bespoke rate.

They must provide evidence that the rates reflect typical business expenses.

## HOW TO REPORT THESE EXPENSES

At the end of the tax year, amounts paid in excess of the allowances or receipts will be included on a P11D, and possibly P11D(b), form for each employee subject to the expenses.

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£5 for travel of 5 hours or more, with a £10 supplement for travel ongoing at 8pm

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£10 for travel of 10 hours or more, with a £10 supplement for travel ongoing at 8pm

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£25 per 24 hour period for travel of 15 hours or more

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# COMMON SUBSISTENCE ERRORS

There are some common mistakes that businesses make when making subsistence claims. Here are a few for you to watch out for:

❗ **Claiming for personal expenses**

Only business-related costs can be reimbursed tax-free.

❗ **Exceeding reasonable costs**

Extravagant meals or high-end accommodation may not be allowable.

❗ **Meals are already included**

Allowance for meals provided at an event, or included in a ticket price, cannot be claimed for.

❗ **Claiming travel fares or mileage**

Mileage and travel tickets are a separate travel expense, and are claimed separately.

❗ **Also claiming the “staying with friends or relatives allowance”**

You cannot claim both this allowance and subsistence allowance.

## RECORD KEEPING

As good practice, businesses should:

- Retain detailed receipts and invoices for subsistence claims.
- Maintain accurate records of business travel dates and locations
- Ensure claims align with HMRC’s travel and subsistence guidelines

Providing receipts for every cost incurred is no longer required by HMRC. Instead, you might choose to set an amount per day for travel, food and drink, and provide one or two receipts as evidence of travel.

## CAN WE HELP?

Subsistence allowances can be complex, and tax treatment can vary depending on the circumstances. For personalised advice and guidance, please contact us.

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