

# Tax and National Insurance contributions Guide for MPs and Ministers

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## Contact details for HM Revenue & Customs

HM Revenue & Customs Public Department 1 (PD1) is the office that deals with all your personal tax and National Insurance contributions (NICs) enquiries.

Our address	HM Revenue & Customs Public Department 1 Tŷ Glas Road Llanishen Cardiff CF14 5QZ
Technical Adviser	Phil Hughes
Phone number	0292 0325 201
Email	phil.hughes@hmrc.gsi.gov.uk
Numbers for phone enquiries	0292 0325 208 0292 0325 220
Fax	0292 0765 642
HMRC website	<a href="http://www.hmrc.gov.uk">www.hmrc.gov.uk</a>

Please quote your tax reference and your National Insurance number whenever you contact PD1 with an enquiry.

PD1's Service Level Agreement is to provide a high standard of service aiming to provide answers to letter enquiries within 10 working days and phone enquiries within three working days.

### What is this guide about and who is it for?

HMRC has prepared this guide to give advice about personal tax and NICs for MPs and Ministers. This revised edition applies from 7 May 2010 to the end of the tax year 2010–11 and subsequent years and replaces all previous guidance in relation to those tax years. It covers Self Assessment and what it means for MPs and Ministers and notes on Parliamentary income and expenses. For general guidance on Income Tax go to [www.hmrc.gov.uk/incometax/index.htm](http://www.hmrc.gov.uk/incometax/index.htm) and for NICs go to [www.hmrc.gov.uk/ni/index.htm](http://www.hmrc.gov.uk/ni/index.htm)

## Self Assessment

Self Assessment applies to people who need to complete tax returns to tell HMRC about their income or capital gains, or to claim tax allowance and reliefs.

Most employees are not within Self Assessment and do not need to complete tax returns because PAYE and other tax deduction systems collect the tax which is due or give the right allowances and reliefs. However, people who:

- are in certain positions or offices (such as the self-employed, company directors, trustees, MPs and Ministers)
  - have certain types and/or levels of income (for example, foreign income or income from property of £2,500 or more)
  - have more complicated tax affairs
- are sent tax returns and must complete them.

If you need to complete a tax return but have not been sent one, please contact your HMRC office. For information on how to contact HMRC go to [www.hmrc.gov.uk/contactus](http://www.hmrc.gov.uk/contactus)

### ***The Self Assessment tax return for MPs and Ministers***

The Self Assessment tax return is divided into different parts. Everyone who gets a tax return has to fill in the parts which apply to them.

For MPs and Ministers this means:

- a six-page core form SA100 to give personal details, provide details of income not covered by supplementary pages, claim reliefs and provide any other information to process your return
- an *Additional information* page (SA101) for less common types of income and reliefs etc. which should be completed if applicable
- *Parliament* supplementary pages (SA102MP) covering the income and expenses which MPs and Ministers have. If you are an MP and a Minister, you have to fill in a set of *Parliament* pages for each of the posts you held during the tax year. We also provide special guidance notes to go with the *Parliament* pages
- supplementary pages for other types of income or gains you may have, such as *UK property* page (SA105), *Foreign* page (SA106), *Capital gains summary* page (SA108), *Residence, remittance basis* etc. pages (SA109).

We send you any supplementary pages of the tax return which, from looking at your records, we think you need. If you need more, please ask for them, either from PD1 or from the

Self Assessment Orderline on 0845 900 0404, or download them from the HMRC website at [www.hmrc.gov.uk/sa](http://www.hmrc.gov.uk/sa)

You have to complete your return with figures for each item which applies to you. It is not sufficient to write, for example, 'per the Independent Parliamentary Standards Authority' or 'to follow'. If you do not have the information you need, you should put your best estimate on the form, draw this to our attention and explain when you will be able to provide the accurate figure.

It will not be possible to complete your Self Assessment tax return online. A small minority of individual records, including those for MPs, require additional internal safeguards over and above the very high standards of confidentiality with which HMRC treat all taxpayers' data. The separate arrangements for dealing with these records mean that the online service cannot accept your return because your taxpayer reference number will not be recognised by the authentication system.

You may have an accountant or tax adviser who will look after this for you, but it is your responsibility to make sure you submit a complete and accurate return on time.

### ***What we do with your return***

We feed the information into our computer system and as we do so we look to see if there are any obvious mistakes. We will correct any such mistakes and tell you what we have done. If you disagree you should let us know.

Later we may want to ask you about your return by way of a 'check'. You can find more information at [www.hmrc.gov.uk/sa/checks.htm](http://www.hmrc.gov.uk/sa/checks.htm) If so, we will notify you within a year of the date that you delivered your return. This time limit may be slightly longer if you delivered your return after 31 January following the end of the tax year covered by the return.

### ***Deadline for sending back your tax return***

Because MPs cannot file their returns online the usual paper return filing date of 31 October does not apply to you. You must send your paper tax return back to us by **31 January** after the end of the tax year covered by the return, although there is nothing to stop you filing it earlier.

If your return is issued after 31 October, the filing deadline will be three months after the date of issue.

You have the choice to work out your own tax bill or ask us to do it for you. If you are able to file your return by 31 October after the end of the tax year covered by the return we will guarantee to calculate your tax for you before the due date. If the return is submitted later than this we will still do the calculation but we cannot promise that it will be with you before 31 January. This could mean that you are at risk of incurring a penalty for late payment if you do not pay any tax due on time. More information on payment deadlines and late payment penalties is given below and is available on the HMRC website at [www.hmrc.gov.uk/sa/deadlines-penalties.htm](http://www.hmrc.gov.uk/sa/deadlines-penalties.htm)

If you wish to calculate the tax yourself, you will need to ask for the *Tax calculation summary* page (SA110) and the notes that go with it, or download them from [www.hmrc.gov.uk/sa](http://www.hmrc.gov.uk/sa) to help you do the calculation yourself.

### **Late returns**

There are penalties for late submission of tax returns. New penalties for sending in late tax returns will first apply to returns for tax year 2010–11 which are submitted late. The new penalties are:

- an automatic fixed penalty of £100 if you do not send your tax return back by the filing date of 31 January, or the extended filing date for returns issued after 31 October
- over three months late – a daily penalty
- over six months late – an additional £300 or 5% of the tax due if this is higher
- over 12 months late – a further £300 or a further 5% of the tax due if this is higher.

### **Deadline for paying tax**

The figures on your tax return are used to calculate your final tax bill. If your final tax bill is not collected through PAYE you will need to pay it by 31 January after the end of the tax year.

Some people, generally those whose total Income Tax and Class 4 NICs liability for the previous tax year was over £1,000 will be required to make a payment on account of the current year's tax unless more than 80% of their previous year's liability was covered by tax taken off at source. (Class 4 is the class of National Insurance

contributions that people pay on their taxable profits from self-employment). The calculation of payments on account is based on the tax return for the previous year. So payments on account for 2011–12 will be based on the Income Tax and Class 4 NICs liability shown in the

Self Assessment tax calculation for 2010–11.

The *Tax calculation summary notes* will explain whether you need to make payments on account. If so, payments on account are due by:

- 31 January in the tax year
- 31 July after the end of the tax year.

### **Late payment - interest and additional charges**

If you pay your tax late HMRC will charge interest from the date the tax was due until your payment is received.

New penalties for late payment will first apply to the late payment of the balance payable for 2010–11 due on 31 January 2012. The existing charges, currently called *surcharges*, will be replaced by *late payment penalties*.

There will be three late payment penalties:

- 5% of the tax unpaid 30 days after the date it was due
- 5% of the tax unpaid five months after the date of the first late payment penalty
- 5% of the tax unpaid 11 months after the date of the first late payment penalty.

You can find further information on the HMRC website at [www.hmrc.gov.uk/sa/deadlines-penalties.htm](http://www.hmrc.gov.uk/sa/deadlines-penalties.htm)

### **Main events in a typical tax year under Self Assessment**

In both the examples shown on page 6 the tax return has been submitted on paper before 31 October and the MP asks HMRC to do the calculation. The examples use the tax year 2010–11 for the purposes of illustration. The events for people who do the calculation themselves will be very similar if they send their tax return in by the end of January.

### Example 1

A person whose main income comes from employment (or - as for MPs and Ministers - from holding an office)

April 2011	receives a tax return or a notice to file (form SA316) for tax year 2010–11 (6 April 2010 to 5 April 2011).
May 2011	receives from employer form P60 showing pay and PAYE tax for 2010–11.
July 2011	receives from employer form P11D showing details of expenses and benefits in kind for 2010–11.
October 2011	completes the tax return and sends it back asking PD1 to: <ul style="list-style-type: none"><li>• do the tax calculation</li><li>• collect any tax due below £2,000 through the PAYE code for 2012–13 if possible.</li></ul>
October 2011	receives a tax calculation from PD1 showing tax due of £800.
December 2011	receives a statement of account from PD1 showing that the payment due (£800) will be collected through adjustment to the PAYE code for the year 2012–13.

There is no need for this taxpayer to make payments on account as they are below the limits as shown on page 5.

### Example 2

A person with substantial income (not taxed at source) from non-employment sources

January 2011	makes the first payment on account for tax year 2010–11 of £6,000 in time to reach HMRC by 31 January 2011. This is equal to half the tax bill for 2009–10 (net of tax deducted at source) as returned by 31 January 2011.
April 2011	receives a tax return for tax year 2010–11 (6 April 2010 to 5 April 2011).
May 2011	receives from employer form P60 showing pay and PAYE tax for 2010–11.
July 2011	receives from employer form P11D showing details of expenses and benefits in kind for 2010–11.
July 2011	makes second payment on account of tax for 2010–11 in time to reach HMRC by 31 July 2011. Again, it is £6,000.
October 2011	completes the tax return and sends it back asking PD1 to do the tax calculation.
November 2011	receives a tax calculation from PD1.
December 2011	receives a statement of account from PD1 showing that the final tax left to pay for 2010–11 is £5,000 and is due for payment on 31 January 2012.
31 January 2012	makes final payment for 2010–11 of £5,000 and makes first payment on account for 2011–12 by 31 January 2012. This is half the net tax liability for 2010–11 worked out as follows:
	two payments on account, of £6,000 each = £ 12,000
	plus the final payment = £ 5,000
	= £ 17,000
	Payment on account
	for 2011–12 (£17,000 x 50%) = £ 8,500

## The link with Pay As You Earn (PAYE)

Self Assessment does not affect the way the Independent Parliamentary Standards Authority (IPSA) (and government departments) operate PAYE on your Parliamentary or Ministerial income.

To make sure that the tax you pay during the year is as near as possible to the amount due, your HMRC office will continue to include in your PAYE code a number items of income and expenses/benefits paid.

You can find out more about tax codes on the HMRC website at [www.hmrc.gov.uk/incometax/tax-codes.htm](http://www.hmrc.gov.uk/incometax/tax-codes.htm)

### **Collecting your tax bill through PAYE**

When we receive your tax return we will either do the tax calculation for you (if you have asked us to) or check the calculation you have done. Either way, your PAYE tax is included in the calculation and taken off the total tax payable for the year to give your final tax bill.

If your final tax bill is less than £2,000, and if you want us to, we can usually collect it through an adjustment to your tax code for the coming year, as long as you send your return back to us by 31 October. For example:

- you send us your tax return for 2010–11 by 31 October 2011
- it shows a final tax bill of, say, £500
- we adjust your PAYE code for 2012–13 to collect the £500.

If you send your return back to us after 31 October, we will still try to do this if you want, but we may not be able to in time.

You can find further information about Self Assessment on the HMRC website at [www.hmrc.gov.uk/sa/index.htm](http://www.hmrc.gov.uk/sa/index.htm)

## The link with National Insurance contributions

Where a payment made to you is treated as earnings, including any remuneration or profit derived from your employment as an MP, it will ordinarily be liable to Class 1 National Insurance contributions. This is deducted at source through the payroll from your salary.

Where you are provided with employment related benefits, Class 1A National Insurance contributions (employer only) liability will arise.

The exceptions to this are where:

- the payment is one for which an exemption exists generally for an expense incurred in carrying out the duties directly related to your employment
- there is a specific and distinct payment of, or contribution towards expenses which are incurred in carrying out the employment
- the payment/benefit provided is covered by a dispensation agreed between HMRC and IPSA.

## Keeping tax records

Everyone should keep records so that they can fill in a tax return completely and accurately, if they get one.

The law does not say what records you should keep, but for your income from Parliament they will include:

- your P60 which shows details of your pay, tax and National Insurance contributions
- details of taxable expenses and benefits in kind which you receive
- details of expenses payments you have made.

Information about payments you have received comes to you from IPSA or your government department. It is your responsibility to be satisfied that this information is correct before you use it to fill in your tax return. You need to maintain your own records of expenses payments for which you intend to claim a tax deduction.

### **Retaining your tax records**

If you have no income from self-employment, you normally need to retain your tax records for 1 year and 10 months after the end of the tax year to which they apply. If you have income from self-employment you need to keep all your records for at least 5 years and 10 months.

For example, tax records for the tax year ended on 5 April 2011 should be kept until at least 31 January 2013 if you have no income from self-employment during the tax year 2010–2011. If you do have self-employment in that year, you need to keep your records until at least 31 January 2017.

You can find out more about keeping records on the HMRC website [www.hmrc.gov.uk/sa/record-keeping.htm](http://www.hmrc.gov.uk/sa/record-keeping.htm)

## Information from IPSA

By law, your employer has to give you the following information in relation to a tax year if you are in your post on 5 April in that year (IPSA performs functions on behalf of your employer in relation to your income as an MP):

- your P60 – by 31 May after the end of the tax year
- details of taxable expenses and benefits in kind shown on form P11D – by 6 July after the end of the tax year.

Expenses or benefits covered by a dispensation or included in a PAYE Settlement Agreement are not included as they do not have to be put on your tax return. The P11D details, therefore, do not mention payments to Members in respect of:

- Winding Up Expenses
- cash reimbursements for allowable journeys by rail, air or sea.

Nor do they mention Accommodation Expenses which are not taxable.

## Information for Ministers from government departments

Government departments have to provide Ministers with the same kind of information which IPSA provides to MPs. The way they do this and the level of detail they give will vary from department to department. Any queries about the information provided should be addressed to the chief finance officer at the particular department.

## General information about Parliamentary income and expenses

Guidance is provided with the tax return and in helpsheets and leaflets to help you fill in your tax return.

The notes which follow aim to give you some background information about the particular payments which you receive, and, for those, about what is chargeable to tax and National Insurance contributions, what is exempt, what isn't and what is an allowable deduction against tax for MPs and Ministers (including Ministers in the Lords). They may be especially useful if you were recently elected to Parliament.

## Parliamentary income

As an MP or Minister you are taxable on all payments and benefits you receive by reason of your office, unless there is a specific exemption covering the particular item.

Your taxable income includes:

- your actual Parliamentary salary, including any London Area Living Payment or payment as a Chairperson of a Select Committee, and any Ministerial salary
- reimbursed expenses
- benefits in kind
- occasional fees – for example, from newspaper articles, television or radio interviews, speaking engagements – if they arise by virtue of your office (also see page 14).

## Expenses incurred on Parliamentary business

Some expenses paid or reimbursed by IPSA are expressly exempt from tax and National Insurance contributions, as explained below, and so it is not necessary to claim a deduction from your taxable income in respect of those expenses.

## Expenses allowable for tax

You can claim tax relief for allowable expenses under the general rules that apply to all employees and office holders. These are sometimes known as the 'employment expenses rules'. There are also special rules for particular expenses, which we cover later in this guide.

## Tax and NICs effect of expenses met by IPSA

It is important to note that simply because an expense is paid, or reimbursed to you, by IPSA, it does not necessarily mean you can claim the expense for tax purposes.

The expenses which IPSA will reimburse to you are determined by their rules. The expenses which are exempt from, or deductible for tax and National Insurance contributions depends on the Income Tax and National Insurance contributions legislation. IPSA's rules and Income Tax legislation do not always coincide.

IPSA's accounting year ends on 31 March.

### ***Payments from the Financial Assistance Fund (Short Money)***

If you are an Opposition Spokesperson, you may receive payments from the Financial Assistance Fund, as a contribution towards the additional costs of employing secretarial and research assistance. These payments are taxable in the same way as General Administrative Expenditure (see page 11). You should include any payments you receive in box 7 on the *Parliament* pages of your tax return. By the same token, you can claim tax relief for those expenses which are wholly, exclusively and necessarily incurred in the performance of your Parliamentary duties.

### **Expenses met by IPSA**

There are five main types of expenditure in respect of which you can make a claim to IPSA:

- Accommodation Expenses
- staffing expenditure
- Constituency Office Rental Expenditure
- General Administrative Expenditure
- travel and subsistence expenditure.

You can find the rules on the circumstances in which the expenses can be claimed on IPSA's website at [www.parliamentarystandards.org.uk](http://www.parliamentarystandards.org.uk)

### ***Accommodation Expenses (AE) (Questions and Answers)***

#### ***Q. Is AE taxable?***

No. Tax and National Insurance contributions legislation specifically exempts AE payments from IPSA. You do not need to include them on your tax return.

#### ***Q. Is there tax relief for the expenses reimbursed as AE?***

No. Reimbursement payments are made tax-free by IPSA and no additional relief is available in respect of expenses that have been funded by IPSA. In addition, tax relief is not available for any expenses you incur in respect of, or in connection with, residential or overnight accommodation that allows you to perform duties as an MP in Westminster or your constituency over and above those reimbursed by IPSA as AE.

#### ***Q. IPSA will provide loans for deposits on rental properties: will this be taxable?***

So long as the total amount outstanding on all employment-related loans advanced to you is

£5,000 or less throughout the tax year the loans are covered by the exemption for small loans and are not subject to tax (unless the loan is written off). If the amount outstanding exceeds £5,000 at any time in the tax year then it will become liable to tax. The tax charge is on the difference between any interest paid and that which would have been paid at the published official rate of interest. This is based on an average of mortgage rates used by commercial lenders and is reviewed annually and for the 2010–11 tax year is 4%.

#### ***Q. Is HMRC concerned about how much AE I get from IPSA?***

Not usually. You need to make sure that when you fill in your tax return you do not:

- include as income the AE you have received
- claim a deduction for any of the overnight expenses for which the AE was paid to you
- claim a deduction for residential or overnight AE in Westminster or your constituency that have not been reimbursed by IPSA, including any expenses which have not been reimbursed by IPSA because they exceed the permitted AE budgets
- treat any other kind of expenses – for example, office or travelling expenses – as covered by the AE.

### ***Staffing expenditure***

Staffing expenditure may be claimed to cover the costs of employing staff to assist you in the performance of your Parliamentary functions. This includes salary, pension contributions and employer's National Insurance contributions. All payments for these services, whether to an individual, company or other organisation, are paid direct on your behalf by IPSA. Whilst the salaries of staff employed by you will be paid from your staffing expenditure budget by IPSA provided certain conditions are satisfied, ultimately responsibility for these payments is yours.

### ***Your tax responsibilities for your employees***

Like other employers you are responsible for operating PAYE and for providing HMRC with statutory information. However, in practice, IPSA will, on your behalf, take responsibility for your employer's tax obligations by:

- sending your employees' tax and National Insurance contributions to HMRC

- providing your employees and HMRC with the statutory PAYE information (for example, P60)
- providing your employees (and you) with details of payments made to them on your behalf
- providing you with the information you need to complete your employees forms P11D at the end of each year where applicable
- keeping the tax and National Insurance contributions records you need to keep as an employer.

If you need further advice on this, please contact us and we will send you the relevant forms.

### **Staffing expenditure (Questions and Answers)**

#### ***Q. Is staffing expenditure taxable?***

Yes. However, you can have a tax deduction for your staff costs that is equal to the amount of staffing expenditure incurred, whether they are paid by you directly or by IPSA on your behalf. It has been agreed with HMRC that neither needs to be included in your Self Assessment tax return.

#### ***Q. If I spend more than my IPSA budget for staffing expenditure can I have a tax deduction for the expenditure which IPSA do not reimburse?***

Yes, provided you incur the expenses wholly, exclusively and necessarily in the performance of your duties as an MP.

Any claim for the balance of expenditure should be made in box 11 of the *Parliament* pages of your tax return.

#### ***Q. Are my staff members employees or self-employed?***

Full-time or regular helpers who work in your office under your direction will, almost always, be your employees. But specialists (for example, researchers and analysts) doing occasional work prepared by themselves and using their own facilities are more likely to be self-employed.

Ultimately the answer depends on the precise terms on which you engage the person. It does not follow, for example, that you can treat a person as self-employed simply because you decide to describe their engagement in that way, or because the last job they did was as a self-employed person.

The HM Revenue & Customs helpsheet *ES/FS1 Employed or self-employed for tax and National Insurance contributions* explains about employment status more fully. You can download this helpsheet from the HMRC website at

[www.hmrc.gov.uk/leaflets/es-fs1.pdf](http://www.hmrc.gov.uk/leaflets/es-fs1.pdf) HMRC have developed a tool that allows you to check the employment status. For further information and if you are in any doubt whether a person is employed by you or self-employed, please go to [www.hmrc.gov.uk/calcs/esi.htm](http://www.hmrc.gov.uk/calcs/esi.htm) If you are still unsure your HMRC contact will be pleased to help you.

#### ***Q. What employer responsibilities do I need to administer?***

If you pay your staff directly and not through IPSA you will need to consider whether you need to run a PAYE scheme yourself. Also if you provide any expenses or benefits in kind direct to your employees and not through IPSA, you will need to fulfil your employer duties in respect of these items. You should contact HMRC for the necessary forms and guidance.

You should consider whether the National Minimum Wage should be paid if you engage interns or others to work for you. We provide further guidance at [www.hmrc.gov.uk/payroll/day-to-day/nmw.htm](http://www.hmrc.gov.uk/payroll/day-to-day/nmw.htm) The term ‘intern’ is not defined in the National Minimum Wage legislation and what matters is whether the person engaged is a worker under the terms of that legislation. It is possible that those you engage, including interns and others, who receive expenses and are under a personal obligation to undertake work, should be paid the minimum wage.

#### ***Q. What about pension arrangements for secretaries or research assistants?***

We have agreed with IPSA that you do not need to refer to these in your tax return. This is because any pension contribution (usually paid by IPSA on your behalf) would be liable to tax but would be matched by an identical tax deduction, thus having no overall effect on the tax you pay.

### **Constituency Office Rental Expenditure (CORE) (Questions and Answers)**

#### ***Q. Is CORE taxable?***

Yes. Payments by IPSA in respect of CORE should be included in the *Parliament* pages of your tax return. There is however no associated National Insurance contributions liability where the payments are actually incurred in carrying out your duties as an MP. Box 5 of the *Parliament*

pages of your tax return is for non-capital items (for example office expenses like heating, lighting, phone, postage and stationery).

***Q. Are the expenses which CORE covers allowable for tax relief?***

Under the general employment expenses rules, tax relief is available in respect of those expenses which are wholly, exclusively and necessarily incurred in the performance of your duties as an MP or Minister (apart from in relation to the Accommodation Expenses mentioned on page 9). We list at Annex 1 the kind of expenses which are allowable for tax and some that are not.

To claim the relief, you enter the appropriate figures in box 12 of the *Parliament* pages of your tax return.

***Q. If I spend more than my IPSA CORE budget, can I have a tax deduction for my expenditure that is not reimbursed?***

Yes, provided you:

- incur the expenses wholly, exclusively and necessarily in the performance of your duties as an MP, and
- do not claim a deduction of more than the total of your Parliamentary income for that tax year.

### **General Administrative Expenditure (GAE) (Questions and Answers)**

***Q. Is GAE taxable?***

Yes. Payments by IPSA in respect of GAE should be included in the *Parliament* pages of your tax return. There is, however, no associated National Insurance contributions liability where the payments are actually incurred in carrying out your duties as an MP. Box 5 of the *Parliament* pages of your tax return is for non-capital items (for example office expenses like heating, lighting, phone, postage and stationery).

***Q. Are the expenses which GAE covers allowable for tax?***

Under the general employment expenses rules, tax relief is available in respect of those expenses which are wholly, exclusively and necessarily incurred in the performance of your duties as an MP or Minister (apart from in relation to the Accommodation Expenses mentioned on page 9). We list at Annex 1 the kind of expenses which are allowable for tax and some that are not.

To claim the relief, you enter the appropriate figures in boxes 12 and 13 of the *Parliament* pages of your tax return.

***Q. If I spend more than my IPSA GAE budget, can I have a tax deduction for my expenditure that is not reimbursed?***

Yes, provided you:

- incur the expenses wholly, exclusively and necessarily in the performance of your duties as an MP, and
- do not claim a deduction of more than the total of your Parliamentary income for that tax year.

***Q. What about depreciation on office equipment?***

Office equipment is a capital asset. Under the GAE rules, IPSA may reimburse you for office equipment such as a personal computer for which provision is not made separately by the House of Commons. You would not normally need to claim depreciation on office equipment or capital allowances as this is covered by Annual Investment Allowance. The capital allowances rules are explained in the notes on box 13 of the *Parliament* pages of your tax return. There is also a helpsheet available – *Helpsheet 252 Capital allowances and balancing charges*. You can download this at [www.hmrc.gov.uk/helpsheets/hs252.pdf](http://www.hmrc.gov.uk/helpsheets/hs252.pdf)

### **Travel and subsistence expenses (Questions and Answers)**

***Q. Are the amounts met by IPSA in relation to journeys I make subject to tax and National Insurance contributions?***

In most cases no. Legislation specifically exempts from tax and NICs payments MPs receive from IPSA for travel and associated subsistence expenses necessarily incurred on travel within the UK for the performance of an MP's duties. The exemption covers the following payments made by IPSA:

- for journeys on Parliamentary business between any point in the constituency (or a home or office within 20 miles of the constituency) and Westminster or a London Area home by an MP eligible for AE
- for journeys on Parliamentary business between the constituency office and Westminster by an MP not eligible for AE
- to all MPs for journeys within the constituency or within 20 miles of the constituency boundary, and elsewhere in the UK if on Parliamentary duties.

This means you **should not**:

- include as income on your tax return payments you receive from IPSA in respect of travel, unless they are shown on your form P11D
- claim on your tax return expenses you incur on journeys which IPSA has reimbursed the cost of, unless they are shown on your form P11D.

*Q. What about travel to European Parliaments and Community institutions?*

Tax legislation specifically excludes from tax payments MPs receive from IPSA for travelling and associated subsistence expenses when they visit:

- a European Union institution or agency
- the national Parliaments of other EU members, candidate or applicant countries and any other Council of Europe member states.

This means you **should not**:

- include as income on your tax return travelling and associated subsistence payments you receive from IPSA in respect of such visits
- claim on your tax return expenses you incur for these visits.

*Q. What about foreign travel (other than to visit EU institutions - see question above)?*

You will not normally be required as part of your Parliamentary duties to travel abroad other than as a member of a Parliamentary delegation or Select Committee as these costs are paid from public funds. You should not include details of the allowances you receive or the expenses you incurred from this foreign travel on your tax return.

Where a trip is made on your own initiative (for example, for fact-finding purposes) it would not normally be regarded as part of your duties as an MP and, therefore, the costs will not be allowed as a deduction for tax purposes.

*Q. Can I claim tax relief for any travel and subsistence expenses I incur which are not reimbursed by IPSA?*

Yes, provided you meet the conditions for deducting those expenses from your income. Tax relief is available for the cost of travel and related subsistence necessarily incurred in the performance of your duties as an MP or for your necessary attendance at a temporary workplace. You cannot claim tax relief for the costs of travelling between your home, including a home in your constituency or the London Area, and your place of work whether that is at Westminster or your constituency office.

*Q. What about parking fees and tolls?*

No tax or National Insurance contributions will be due where IPSA reimburse the cost of parking fees and tolls that are necessarily incurred on travel within the United Kingdom that is necessary for the performance of a member's duties.

**Railcards**

Where you obtain a railcard that reduces the costs on future purchases of rail tickets IPSA will reimburse the cost to you. This expense will qualify for tax relief provided that the total savings on necessary business rail travel for the duration of the railcard exceed the cost of the railcard.

You can find further information on the tax treatment of business travel in our guidance published on the HMRC website at [www.hmrc.gov.uk/helpsheets/490.htm](http://www.hmrc.gov.uk/helpsheets/490.htm)

You **should not**:

- enter the amount of the reimbursement on your tax return
- claim the allowable expense on your tax return.

*Q. Are amounts reimbursed by IPSA for family travel subject to tax and National Insurance contributions?*

Legislation specifically exempts from tax and National Insurance contributions travel and subsistence payments reimbursed by IPSA for journeys between your London Area residence and your constituency residence for your spouse or partner where you share caring responsibilities.

However, the same is not the case for travel and subsistence payments reimbursed by IPSA for travel by each dependent child under 16, and by other dependants for whom you have caring responsibilities between your London Area residence and your constituency residence. These payments do not qualify for tax relief.

**Employees' travel**

You should not put sums received or expenses incurred by your employees for journeys between your constituency and Westminster each calendar year on your tax return.

**Late night Parliamentary sittings**

**Evening meals**

If IPSA reimburses the costs you incur on an

evening meal because you are required to be at the House of Commons because the House is sitting beyond 7.30pm the reimbursement is exempt from tax and National Insurance contributions provided that the meal is eaten on the Parliamentary Estate.

### **Taxi fares**

Subject to meeting the requirements of its scheme and within a financial limit, IPSA will reimburse the cost of taxi fares for journeys from the House of Commons to a London Area residence when the house is sitting beyond 11pm. These payments are subject to the normal tax and National Insurance contributions rules for employees and office holders and may qualify for exemption from Income Tax and National Insurance contributions. Where they are exempt, IPSA will not include details on your P11D and you do not need to include them on your tax return.

If IPSA reimburses any taxi fares in relation to late night sittings that do not qualify for the exemption from Income Tax, the full amount of the reimbursement is taxable, but IPSA will deduct tax and National Insurance contributions from it under PAYE. You do not need to do anything specific for these journeys on your tax return as the reimbursement and PAYE tax and National Insurance contributions will be included in your P60 figures which go into boxes 1 and 2 on the *Parliament* pages of your tax return.

#### ***Q. Is there tax relief for reimbursed late night taxi fares?***

No. Where the exemption applies, the reimbursement payments are made tax-free by IPSA and no additional relief is available for the expenses that have been funded by IPSA.

In addition, tax relief is not available for any expenses you incur for late night taxi fares from the House of Commons to a London Area residence over and above those reimbursed by IPSA.

### **Reimbursed hotel expenses**

Where IPSA reimburse the cost of an overnight stay in a hotel to a Non-London Area MP claiming the London Area Living Payment when the House of Commons is sitting beyond 11pm, this payment will be subject to tax and NICs. You will not be able to claim relief for this amount.

However, legislation specifically exempts from tax and NICs the cost of a hotel stay reimbursed by

IPSA if you are required to be at the House of Commons because the House is sitting beyond 1am. You do not need to include the reimbursement of hotel costs related to occasions when the House sits beyond 1am in your tax return.

There is no additional tax relief available for the expenses that have been funded by IPSA. In addition, tax relief is not available for any expenses over and above those reimbursed by IPSA for hotel costs related to late night sittings.

## **Other Payments by IPSA**

### ***Q. Is the London Area Living Payment taxable?***

Yes, in full. IPSA deducts tax and NICs under PAYE and includes the amount on your P60; you do not need a separate entry on your tax return.

### **Disability Assistance**

If IPSA reimburse your expenses for additional costs incurred in employing a member of staff who has a disability within the meaning of the Disability Discrimination Act 1995 these payments are not subject to tax and NICs. You do not need to report these payments on your tax return.

### **Insurance**

Any reimbursement received for premium payments for insurance will be liable to tax and Class 1 NICs.

### **Security Assistance**

IPSA may help meet the costs of additional security measures that are necessary to safeguard MPs, their staff and equipment where recommended by the police or the security services. Any sums provided to you are subject to tax and NICs on the same basis as your CORE.

Under the employment expenses rules you can get relief for expenses that are wholly, exclusively and necessarily incurred in the performance of your duties. If no relief is due under these rules, a deduction may be due (up to the amount of the expenditure met by IPSA) if there is a special threat to your personal physical security which has arisen because you are an MP. This relief can only apply where IPSA provides a security asset or service with the sole purpose of protecting you personally against a special threat.

In both instances these qualifying conditions are very strict but if you think that expenditure, which has been covered by this allowance, does meet them, enter the appropriate figures on your tax return.

### **Contingency payments**

Where you necessarily incur expenditure or liability for expenditure related to the performance of your Parliamentary functions which is not covered by any of the allowances set out in IPSA's scheme or, if it is covered by one or more of those allowances, it exceeds any financial limit that may apply, you may apply to IPSA to be reimbursed on an exceptional basis for that expenditure.

Any reimbursement paid is taxable and should be included in box 6 of the *Parliament* pages of your tax return. Tax relief is also due on the reimbursement from IPSA, or on the amounts you pay if they are not reimbursed, where the expenditure is incurred wholly, exclusively and necessarily in the performance of your duties as an MP, and where you do not claim a deduction of more than the total of your Parliamentary income for that tax year. Relief can be claimed in box 11 of the *Parliament* pages of your tax return.

### **Necessary financial assistance**

Where IPSA provides you with additional assistance, whether tax and NICs is due will depend on the purpose for which it is provided.

## **Ministers' expenses**

### **Reimbursed expenses as an MP**

If you are an MP, your Parliamentary expenses (as distinct from your Ministerial expenses) are reimbursed by IPSA, just as for any other MP. You may claim tax relief for allowable expenses incurred in carrying out your Parliamentary duties if they are not already exempt from tax.

### **Expenses as a Minister**

Expenses incurred in carrying out your departmental duties as a Minister are normally paid by the department concerned. PD1 will be pleased to help with any enquiries you may have concerning the tax treatment of such expenses. The address and phone number are at the beginning of this guide.

## **Information about general tax items of likely interest to MPs and Ministers**

### **Occasional fees**

You may receive occasional fees for such things as newspaper articles, television or radio interviews, and speaking engagements. If these arise in the performance of your duties as an MP or Minister they should be entered in box 16 on page TR 3 of the core tax return, SA100. More usually, they will not be part of your Parliamentary income and should be included on the *Self-employment* pages.

### **Fees donated to charity**

Sometimes Members arrange for media fees etc, to be paid direct to a nominated charity. This does not change the fact that you are taxable on them.

## **Capital Gains Tax on residences**

### **General**

The general rule is that the gain arising on disposal of your only or main residence is normally exempt from Capital Gains Tax if it has been your only or main residence throughout your period of ownership. There are some exceptions to this general rule, notably where the area of any garden or grounds (including the buildings) is more than 0.5 hectares or where part of the house has been used exclusively for business purposes. If it has been your only or main residence for only part of that period, the gain is apportioned on a time basis.

### **Which is the 'main residence'?**

If you have more than one residence you can choose which one you wish to attract relief.

It must be a property which you actually occupy as your home for at least part of the time.

If you acquire a second residence you have up to two years from the date on which you started to occupy it as your home to tell your HMRC office which property you have chosen to qualify for relief. If you do not do so within this period the relief will apply to whichever property is, in fact, your main home. You can change your choice at a later date but that new choice cannot be backdated more than two years. Your choice is relevant for Capital Gains Tax only and does not affect any other provision.

## Can more than one residence qualify for Private Residence Relief (PRR) at the same time?

There are two sets of circumstances when this might happen:

- first, if you have used a property as your only or main residence at some time during your period of ownership, there may be a period leading up to the sale of that property during which it is unavoidable that you will stop using it as your main residence (for example, when you buy a new home before the old one is sold). To cover this possibility, the final 36 months of ownership is always treated as if you had occupied it as your only or main residence. Relief from Capital Gains Tax may be due for this overlapping period on both the old and the new properties
- second, where you provided a residence for a dependent relative before 6 April 1988 you may be entitled to relief from Capital Gains Tax on that property as well as your own.

## What relief is due for married people or someone in a civil partnership?

If you are married or in a civil partnership, and you are not separated from your spouse or civil partner, and you own two or more homes between you, any nomination must be made jointly and be signed by both of you. You are only entitled to Private Residence Relief on one home between you.

## What if I use part of my main residence as an office?

If you use part of your main residence exclusively as an office, any gain will be split between the business part, which is chargeable, and your own living accommodation, which is exempt. If no part of your residence is set aside exclusively for such use, then occasional business use will not affect the exemption (even if some of the costs of running the home are allowed as a business expense for Income Tax purposes) as long as you keep using all of your house as a home. For example, the room you use as an office may also be used as a guest bedroom.

For further information about Capital Gains Tax on residences please refer to the HMRC website at [www.hmrc.gov.uk/cgt/property/sell-own-home.htm](http://www.hmrc.gov.uk/cgt/property/sell-own-home.htm)

## Annex 1

### What sort of things are allowed as tax expenses?

#### Allowed:

- secretarial or research assistants' salaries, employer's NICs and pension contributions, and other research expenses incurred wholly, exclusively and necessarily in the performance of Parliamentary duties
- office running expenses including rent, heat and light of a part of a residence set aside as an office, as long as these are not the type of Accommodation Expenses mentioned on page 9
- repairs and renewals of office equipment or capital allowances on new items
- hire of constituency surgery room
- postal and stationery expenses related to Parliamentary duties where they are not provided free
- phone call charges for calls related to Parliamentary duties.

#### Not allowed:

- mortgage interest on an office or part of a residence used as an office
- newspapers, books and periodicals of general interest, newspaper cutting services
- charitable subscriptions
- constituency newsletters and other circulars relating to party political activities, canvassing literature, election expenses, Christmas cards
- entertaining constituents or others, expenses incurred by spouses, for example, in deputising for, or accompanying, MPs
- accountancy fees incurred in the preparation of the Self Assessment tax return or related expenses claims
- payments to political organisations for party political purposes
- any expense incurred as a member of a political party
- charges for private phone calls and the rental charge where the line is used (even partly) for private calls.

## Annex 2

The following table is intended to act as a guide only and you should also look at the more detailed guidance contained in this booklet.

Payment/Expense reimbursed	Subject to tax?	Comments	Subject to National Insurance contributions?	Comments
Accommodation expenses (page 9).	No	Statutory exemption exists (see below regarding loans).	No	Statutory exemption exists (see below regarding loans).
Constituency Office Rental Expenditure (page 10).	Yes	A deduction can be claimed on your SA return for expenses reimbursed by IPSA that are wholly and necessarily incurred for business purposes.	No	
Contingency payments (page 14).	Yes	A deduction can be claimed on your SA return for expenses reimbursed by IPSA that are wholly and necessarily incurred.	No	
Disability Assistance (page 13).	No		No	
European travel (page 12).	No	Statutory exemption exists.	No	Statutory exemption exists.
General Administrative Expenditure (GAE) (page 11).	Yes	A deduction can be claimed on your SA return for expenses reimbursed by IPSA that are wholly and necessarily incurred for business purposes.	No	
Insurance (page 13).	Yes		Yes	

<b>Payment/Expense reimbursed</b> <i>continued</i>	<b>Subject to tax?</b> <i>continued</i>	<b>Comments</b> <i>continued</i>	<b>Subject to National Insurance contributions?</b> <i>continued</i>	<b>Comments</b> <i>continued</i>
Loans provided by IPSA totalling less than £5,000 throughout the year (page 9).	No		No	
London Area Living Payment (page 13).	Yes		Yes	
Necessary financial assistance (page 14).	Yes	A deduction can be claimed on your SA return for expenses reimbursed by IPSA that are wholly and necessarily incurred.	No	Provided payments are purely reimbursement of business-related expenditure.
Other foreign travel (page 12).	Yes		Yes	
Parliamentary income (page 8).	Yes		Yes	
Railcards (page 12).	No	Provided that the total savings on the rail travel exceeds the cost of the railcard.	No	
Security Assistance paid under section 12 of the IPSA scheme (page 13).	Yes	A deduction can be claimed where specific conditions are satisfied.	Yes	
Staffing expenditure (page 9).	Yes	A matching deduction is available so it has been agreed that you do not need to report these payments.	Yes	
Travel and subsistence costs for staff (page 12).	No	Provided the expenses are wholly and necessarily incurred for business purposes.	No	Provided the expenses are wholly and necessarily incurred for business purposes.

<b>Payment/Expense reimbursed</b> <i>continued</i>	<b>Subject to tax?</b> <i>continued</i>	<b>Comments</b> <i>continued</i>	<b>Subject to National Insurance contributions?</b> <i>continued</i>	<b>Comments</b> <i>continued</i>
<b>Late night Parliamentary sittings</b>				
Cost of hotel stay for Non-London MPs claiming LALP when the House sits beyond 11pm (page 13).	Yes		Yes	
Cost of hotel stay when the House sits beyond 1am (page 13).	No	Statutory exemption exists.	No	Statutory exemption exists.
Meals eaten on estate when the House sits beyond 7.30pm (page 12).	No	Statutory exemption exists.	No	Statutory exemption exists.
Taxi fares from the House to London Area home when the House sits beyond 11pm (page 13).	Yes		No	
<b>Family travel</b>				
Dependent child under 16 (page 12).	Yes		Yes	
Other dependant with whom you have caring responsibilities (page 12).	Yes	Statutory exemption exists.	No	Statutory exemption exists.
Spouse or partner with whom you share caring responsibilities (page 12).	No	Statutory exemption exists.	No	Statutory exemption exists.
<b>Financial Assistance Fund (Short Money)</b>				
Financial Assistance Fund (Short Money) (page 9).	Yes	A deduction can be claimed on your SA return for expenses reimbursed that are wholly, necessarily incurred for business purposes.	No	Provided payments are purely reimbursement of business-related expenditure.