

## **Councillors' Travel Allowances**

### **INTRODUCTION**

The payment of travel (mileage) allowances, to both employees and councillors, has always been subject to the normal rules of Taxation and National Insurance, in common with all other allowances.

During 2014, Government (through Inland Revenue) announced (and consulted widely upon) their intention to exempt such allowances paid to councillors from these Taxation rules. It was expected that this exemption would be announced as part of, and incorporated in, the 2015 Finance Bill, to be effective from the Fiscal Year 2015/16 (which commences on 6<sup>th</sup> April 2015).

### **CURRENT GOVERNMENT POSITION**

On Tuesday of this week, NALC received an e-mail from HMRC which stated:

“I wish to advise that, as part of the Parliamentary process at this time of year, Parliament has decided not to legislate the tax exemption for local councillors' travel expenses in Finance Bill 15 and instead to defer this measure to a future Bill.”

Consequently, all councils who pay any travel allowances to councillors should continue to incorporate such payments, and apply the appropriate taxation procedures, in their payroll records and calculations as previously.

### **FUTURE ACTION**

As soon as we have notification that HMRC, and government, have instituted the hoped for change in policy, a future briefing will be issued, and widely publicised. Further information can be found at HMRC's published guidance - <https://www.gov.uk/government/publications/draft-legislation-the-income-tax-travel-expenses-of-members-of-local-authorities-regulations-2015>

**This briefing was issued by Derek Kemp, NALC's Audit and Accounts Advisor**