

Incidental overnight expenses

A tax exemption enables an employer to meet small personal expenses when an employee stays away from home for work, without the employee suffering a tax charge and without any need to report the expenses to HMRC.

What are incidental overnight expenses?

Incidental overnight expenses are personal (i.e. non-business) expenses incurred when an employee travels overnight for business. Examples include:

- a newspaper
- laundry
- telephone calls home

How much is the exempt amount?

The exempt amount is £5 per night for trips in the UK and £10 per night for overseas trips. These limits have not been increased.

It should be noted that the exemption only applies if the expenses do not breach the limit. If amounts paid to the employee are more than the exempt amount, the full amount is taxable not just the excess over the exempt amount.

Per trip not per day

The exemption can be applied per trip rather than a day-by-day basis. This means that it will apply as long as the incidental overnight expenses paid for the trip do not exceed the allowance for the full trip – it does not matter if on a particular day the allowance is exceeded as long as on average within the exempt limit.

The application of the allowance is illustrated by the following example.

Example

Rachel and Anna are colleagues and often travel on business.

In January 2020, Rachel spent five consecutive nights away from home on a business trip in the UK. During the trip she incurred incidental expenses of £21 which were reimbursed by her employer. On one day, her expenses (for laundry) were £8. On the remaining four days, they were less than £5 per day.

The exempt amount is £5 per day for overnight stays in the UK – equivalent to £25 for a five-night trip. As the expenses paid by her employer are less than £25, the exemption applies. It does not matter that on one day the actual expenses were more than the £5 daily limit.

Anna also took a business trip during January, spending three consecutive nights in Germany. She incurred incidental expenses of £31 which her employer reimburses. For trips abroad, the exempt amount is £10 per night – a total of £30 for a three-night trip. As the amount paid by Anna's employer is more than £30, the full amount is taxable and liable to Class 1 National Insurance.