

Linking subsistence allowances to mileage capture system saves £500,000 a year at Willmott Dixon.

Enrolling 450 employees into a scheme for claiming subsistence allowances via salary sacrifice is expected to deliver a combined £1/2 million annual saving for employees and the company at Willmott Dixon.



The arrangement optimises the tax advantages of using HMRC's fixed rate subsistence allowances for the cost of meals incurred when on company business. Willmott Dixon passes on the full effect of the income tax and National Insurance (NI) savings to the employees. The company benefits from lower employer's NI.

The company developed the scheme in-house with support from TMC.

Graham Dundas, Deputy Chief Financial Officer at Willmott Dixon, explained:

"We saw the advantage of allowing our staff to receive the £5 or £10 benchmark subsistence allowances through a salary sacrifice arrangement. We wanted to obtain HMRC approval for the arrangement and realised that we would need a very robust control mechanism for identifying when people were on qualifying company business.

"Since subsistence claims go hand in hand with travel, we quickly realised that the TMC system already provided us with a tightly-controlled, audited process for recording business mileage. Aligning subsistence claims with mileage records was the ideal way to police the system and ensure that staff only claimed when they were out on qualifying business."

Online solution

TMC developed a complete online solution for the scheme. Employees record the times of their journeys such that the system automatically calculates how much time they spend away from their home or permanent office. The system ensures that claims

can not be made in respect of commute or private trips and calculates which subsistence rates apply.

The system accommodates journeys by train or other forms of transport as well as driven car mileage..

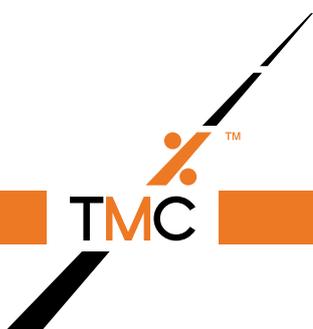
To make the salary sacrifice legally effective, employees in the scheme must accept a change to their terms of employment. TMC handles this aspect for Willmott Dixon by asking participants to record an annual declaration of acceptance via the system. The TMC system also links directly into the company's payroll system, making claims and payments a seamless process.

Robust

"The scheme received HMRC's approval on the grounds that the contractual variation was robust and that we had the necessary controls, checks and internal audit in place to ensure that it is properly managed" said Mr Dundas. "They were impressed that the scheme links subsistence payments to mileage claims in a highly-controlled environment."

As the UK's second largest privately owned construction, regeneration and support service company s, Willmott Dixon has hundreds of employees who qualify for the benchmark subsistence allowances as they travel to sites, properties and projects around the country.

The scheme can save a higher-rate tax payer over £80 a month if they are out on qualifying business every day, said Mr Dundas. With 450 employs already enrolled into the scheme and take-up still increasing, Willmott Dixon combined employee and company savings of around £500,000 a year.



Mileage Audit

Paul Jackson, Managing Director of TMC said: "The ability to fulfil customer requests for intelligent, bespoke solutions is one of the outstanding features of our Mileage Audit system. Willmott Dixon were already using it to manage an initiative to cut the cost of 7.5 million miles of car use per year and this new scheme delivers a whole new layer of value to the group.

"Mileage-related initiatives are the new frontier of fleet cost management. There is huge untapped potential for fleet operators to reduce fuel use, Co₂ output, tax liabilities, expense payments and running costs by controlling mileage proactively."

More information on linking subsistence claims to mileage reporting, is available from TMC on 0843 222 6000 or email info@tmcuk.co.uk

Notes:

The HMRC advisory benchmark scale rates allow employers to make day subsistence payments to employees, for allowable business subsistence expenses, free of tax and national insurance contributions (NICs). Up to £5 can be paid when employees are away from their home or normal workplace for five hours or more, and £10 if the absence lasts more than 10 hours. In some circumstances, firms may pay a breakfast rate (£5) or late evening meal rate (£15).

Employees need to confirm that they incurred meal expenses but each payment must be supported by evidence (e.g. a mileage claim or attendance report) showing that the employee was away from their home or normal workplace on qualifying business for the relevant time period.

About Willmott Dixon

Willmott Dixon the UK's second largest privately owned construction, regeneration and support service company. The company is at the forefront of the industry's transition to a low carbon economy, and is the only company in the sector that aims to be carbon neutral and send zero waste to landfill by 2012.

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