

FINANCE (NO. 2) ACT 2010

EXPLANATORY NOTES

Section 7 Schedule 4: Expenses Paid to Mps Etc

Background Note

21. Under the PSA, IPSA has developed a new scheme under which MPs have been paid their expenses since the Parliamentary election on 6 May 2010.
22. Prior to the establishment of IPSA, expenses were reimbursed in accordance with resolutions of the House of Commons and the tax treatment of particular expenses was determined by specific legislation for MPs in relation to some expenses and long standing concessions in relation to travel expenses. The advent of IPSA means that the specific tax legislation needs amending, and at the same time past concessionary treatments need to be formalised in legislation or ended.
23. Section 292 of ITEPA exempts from income tax accommodation expenditure that was paid to MPs in respect of additional expenses necessarily incurred in staying overnight away from their only or main home for the purpose of performing their Parliamentary duties. The current wording of the exemption reflects the fact that payments of these expenses were made under a resolution of the House of Commons. An amendment is needed to section 292 to reflect the fact that expenses payments are now administered by IPSA under the PSA and to broadly continue the tax treatment of accommodation expenses paid to MPs.
24. Section 294 of ITEPA exempts from tax expenses paid to MPs to cover the costs of certain visits to EU institutions or to the Parliaments of other EU member states. Like section 292, the exemption is tied to payments that are made in accordance with a resolution of the House of Commons. Again, these payments are now made by IPSA under its scheme and an amendment to section 294 is needed to reflect this. The amendment also extends the exemption to cover travel to the national Parliaments of Council of Europe member states.
25. To recognise the requirement of MPs of having to carry out their duties in both their constituencies and Westminster, the general rules which allow tax relief for expenses incurred on work-related travel have, under a long standing concession, been extended in the case of MPs.
26. This concessionary treatment will be ended from 7 May 2010 and instead these amendments to ITEPA will provide a statutory exemption for certain travel expenses paid or reimbursed to MPs by IPSA as expenses necessarily incurred in the performance of MPs' Parliamentary functions.
27. Prior to 7 May 2010 MPs were reimbursed the cost of certain travel by spouses and, by concession, no liability to income tax arose. The IPSA scheme reimburses some travel by MPs' spouses or partners, but in more restricted circumstances, and these amendments will exempt those payments from tax.

*These notes refer to the Finance (No. 2) Act 2010
(c.31) which received Royal Assent on 27 July 2010*

28. The costs of evening meals purchased by MPs and eaten on the Parliamentary estate when the House of Commons is sitting late were in some circumstances previously paid under the allowance for overnight accommodation expenses and so subject to the income tax exemption at section 292 of ITEPA. Under the IPSA scheme, payments in respect of such meals are paid separately from Accommodation Expenses. A new provision is being introduced to exempt from tax the cost of these meals reimbursed under IPSA's scheme.