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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Social Security (Contributions) Regulations 2001 (S.I.2001/1004) (“the principal Regulations”).

Regulation 1 provides for the citation and commencement of these Regulations and provides definitions for certain terms used in them.

Regulation 2 introduces the amendments made by these Regulations to the principal Regulations.

Regulation 3 inserts a definition of “business travel” in regulation 1(2) of the principal Regulations.

Regulation 4 amends regulation 22 of the principal Regulations (payments to be treated as earnings). It inserts a new paragraph (5). This brings into charge to Class 1 contributions the cash equivalent for car fuel provided for use by an employee if the cash equivalent is charged to tax under section 158 of the Taxes Act. It also makes a consequential amendment.

Regulation 5 inserts a new regulation 22A which treats the amount of relevant motoring expenditure, less any qualifying amount, as earnings, to the extent that the expenditure would not otherwise be so treated. The rules for the calculation of the qualifying amount reflect those for mileage allowance payments introduced by Schedule 12AA to the Income and Corporation Taxes Act 1988 (c. 1) (“the Taxes Act”), inserted by Schedule 12 to the Finance Act 2001 (c. 9).

Regulation 6 amends paragraph 1(2) of Part V of Schedule 3 to the principal Regulations. It makes it clear that a payment, by way of the provision of a non-cash voucher for car fuel, is disregarded, for the purposes of computing liability for Class 1 contributions, if the car fuel attracts a charge under section 158 of the Taxes Act.

Regulation 7 amends Part VIII of Schedule 3 to the principal Regulations. It inserts new paragraphs 7A to 7D into that Part. The purpose of these new paragraphs is to reflect, so far as is practicable, the treatment of such payments for tax purposes. Paragraph 7A provides for the disregard of the qualifying amount of relevant motoring expenditure to the extent that it would otherwise be earnings. Paragraph 7B provides for the disregard of the qualifying amount of a mileage allowance payment in respect of a cycle, to the extent that it would otherwise be earnings. Paragraph 7C provides for the disregard of qualifying passenger payments (within the meaning of section 197AE of the Taxes Act) to the extent that they would otherwise be earnings. Paragraph 7D provides for the disregard of a payment by way of provision of car fuel for the purposes of liability for Class 1 contributions if income tax is chargeable under section 158 of the Taxes Act in respect of its provision.

Regulation 7 also amends paragraph 9 of Part VIII of Schedule 3 (specific and distinct payments of expenses to be disregarded in the calculation of earnings for the purposes of earnings-related contributions). This amendment makes it clear that paragraph 9 does not authorise the disregard of an amount of relevant motoring expenditure greater than that permitted under regulation 22A(4).

A regulatory impact assessment in respect of the changes to the treatment of mileage allowance payments for the purposes of both income tax and social security contributions has been published by the Inland Revenue and placed in the library of each House of Parliament. A copy can be found on the Inland Revenue website ([www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk)) or obtained from the Inland Revenue’s Regulatory Impact Unit, Room 34, 1st Floor, New Wing Somerset House, London WC2R 1LB.