
Briefing

Directors' Travel and Subsistence Expenses



INSTITUTE OF DIRECTORS
IN IRELAND

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Every company will have its own policy on the type of expenses that will be reimbursed to directors when travelling to attend board meetings. The tax treatment of such expenses has long been a thorny subject. In this factsheet we look at the current Revenue treatment of such expenses.

General Principles

Generally, where a director or employee incurs travel expenses wholly and necessarily in the performance of his or her duties, these expenses may be reimbursed tax-free. Expenses may be reimbursed on the basis of a flat rate (usually the prevailing civil service rates)¹ or on the basis of actual expenses incurred based on vouched receipts.

It has been a long-established principle that expenses incurred in travelling to/ from home to one's "normal place" of work are expenses which are not necessarily incurred in the performance of the duties of an office of employment. Therefore the reimbursement of such expenses is generally taxable and subject to PAYE deductions.

The "normal place" of work is generally regarded as the place where a director or employee normally performs the duties of his or her office. For a director this will normally be the head office of the company where the majority of board meetings are held.

We now look at how these general principles apply to expenses incurred by a director when travelling to board meetings in Ireland. The rules differ depending on whether the director is an executive director or a non-executive director.

Executive Directors

The general rules outlined above for home-to-"normal place" of work apply to expenses incurred by executive directors in travelling to board meetings. If an executive director is reimbursed for incurring expenses for travelling from home to the place where board meetings are normally held, such expenses would generally be taxable with a requirement on the company to operate PAYE deductions.

¹ [Employee expenses.](#)

Non-Executive Directors

The position as regards non-executive directors differs depending on whether the director is an Irish resident or non- resident individual.

(a) Non-Resident Non-Executives

Section 195B of the Taxes Consolidation Act 1997 provides that vouched expenses of travel and subsistence which have been incurred by a non-resident non- executive director for the purpose of attending a “relevant meeting” fall outside the income tax net. A “relevant meeting” is a meeting which is, firstly, attended by a relevant director in his or her capacity as a director and, secondly, attended for the purposes of the conduct of the affairs of the company. The exemption applies only if these two criteria are met.

(b) Resident Non-Executives

If the non-executive director is resident in Ireland then section 195D of the Taxes Consolidation Act 1997, stipulates that, provided that the annualised emoluments from the office do not exceed €5,000, then so much of the expenses reimbursed to the director as do not exceed the Civil Service approved rates for mileage and subsistence may be reimbursed tax-free. If the director's emoluments do exceed €5,000 per annum, then the reimbursement of Irish expenses would be taxable with a requirement on the company to operate payroll tax.

Record-Keeping

Where a tax-free reimbursement based on a flat rate is made, the employer must keep records of the following:

- The name and address of the director;
- The date of the journey;
- The reason for the journey;
- The starting point, destination and end point of the journey; and
- The basis for the reimbursement of travel and subsistence expenses

Where the reimbursement of expenses is vouched by receipts, the employer must keep receipts together with details of the travel and subsistence incurred.

Records must be kept for a period of at least six years.

Conclusion

The reimbursement of expenses incurred by directors travelling to board meetings has long been a thorny subject with Irish Revenue. It is important that every company has a policy in place to ensure that the appropriate tax treatment is applied to expenses which are reimbursed to directors.

Further information is available from



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