COMPANY POLICY DOCUMENT

Expenses Policy

When travel and subsistence expenses can be reimbursed without deduction of tax, what must be evidenced, and what happens when a claim does not comply.

Policy owner	Payroll and Compliance, People Group Services Limited
Approved by	The Board of Directors
Version	2026.8 (supersedes the 2019/2020 Expenses Policy)
Effective date	21 August 2026
Tax year covered	2026/27. Rates are reviewed each tax year and on any HMRC announcement
Applies to	All employees, workers and contractors engaged through our umbrella, PEO sole and joint employment models, and the agencies and hirers they work with
Classification	Public — published on the Company policy portal

Why this policy has been rewritten

The mileage rate has changed. The Approved Mileage Allowance Payment for cars and vans rose from 45p to **55p per mile** for the first 10,000 business miles, with effect from 6 April 2026 — the first increase since 2011. The rate above 10,000 miles remains 25p.

A correction. The previous policy stated that the pence-per-mile rate is based on the engine size of the vehicle. That is not correct for an employee using their own vehicle. Engine size determines HMRC's Advisory Fuel Rates, which apply to **company cars**. The Approved Mileage Allowance Payment is a flat rate regardless of engine size, fuel type or vehicle age. See section 6.

Joint and several liability. Since 6 April 2026, where an umbrella company sits in a labour supply chain, HMRC can recover unpaid PAYE and Class 1 National Insurance from the recruitment agency, or in some cases the end client, on a joint and several basis. An expenses error is now a shared financial risk. See section 12.

Also reflected: the supervision, direction or control test in section 339A ITEPA 2003; the salary sacrifice restriction in section 289A(5); the failure to prevent fraud offence in force from 1 September 2025; and the Fair Work Agency, established 7 April 2026.

What has changed in this version

Area	What is new
Mileage rate	55p per mile for the first 10,000 business miles from 6 April 2026, up from 45p. 25p thereafter, unchanged. Motorcycles 24p, bicycles 20p, passenger supplement 5p. See section 6.
Engine size correction	Removed the statement that the rate depends on engine size. It does not, for an employee using their own vehicle. See section 6.
Eligibility test	The supervision, direction or control test is now set out explicitly, rather than referred to only as "since April 2016". See section 3.
Salary sacrifice	New section confirming that expenses are never funded out of the assignment rate in a way that reduces taxable pay. See section 4.
Temporary workplace	The 24-month and 40% rules are now stated, as they determine whether a workplace qualifies at all. See section 3.
National Minimum Wage	New section on the interaction between expenses and NMW, an area of active Fair Work Agency enforcement. See section 11.
Supply chain risk	New section explaining what an expenses error now costs the agency and the end client under joint and several liability. See section 12.
Consequences	Expanded to cover the failure to prevent fraud offence as well as disciplinary action. See section 13.

1. Purpose and scope

Since April 2016, home-to-work travelling costs and general daily subsistence allowances are no longer payable without the deduction of tax where a worker is engaged through an employment intermediary and is subject to supervision, direction or control. This policy sets out the circumstances in which People Group Services Limited ("the Company", "we") can reimburse expenses **without** deducting tax and National Insurance, and what must be satisfied for that to happen.

> ### The basic rule
> In order for expenses claimed by a contractor or employee to be paid without the deduction of tax, this policy must be satisfied **in every respect**.
>
> Failure by the contractor or the agency to comply with any obligation under this policy will result in the expenses being paid only after they have been subjected to deductions for tax and National Insurance.
>
> Paying expenses without deduction, in breach of this policy, is a **disciplinary offence**.

This policy applies to every worker we engage and to every claim. It applies across our umbrella, PEO sole employment and joint employment models, and it forms part of the arrangements we agree with recruitment agencies and hirers.

2. Two questions before any claim

Before a claim can be considered for reimbursement without deduction, two separate questions must both be answered correctly. A claim that fails either one is paid with deductions, however well documented it is.

Question	What it means
Is the worker free of supervision, direction or control?	Under section 339A ITEPA 2003, where a worker personally provides services through an employment intermediary and is subject to — or to the **right of** — supervision, direction or control by any person as to the **manner** in which they provide those services, each assignment is treated as a separate employment. The workplace is then a permanent workplace, and home-to-site travel is ordinary commuting on which no relief is available.
Is the workplace a temporary workplace?	Even where there is no supervision, direction or control, relief is only available for travel to a **temporary** workplace. A workplace stops being temporary once the worker has spent, or is expected to spend, more than **24 months** there, or where they spend **40% or more** of their working time there over that period. The test looks forward: relief stops from the point the expectation changes, not from the point the 24 months is reached.

The right of supervision, direction or control is enough. It does not have to be exercised. In practice, most workers on agency assignments in education, healthcare, social care, logistics and construction will be subject to it, and no relief will be available on home-to-site travel.

3. Expenses are never funded from the assignment rate

A point of principle, and of law

The exemption for paid or reimbursed expenses at section 289A ITEPA 2003 **does not apply** where the expense is provided under a relevant salary sacrifice arrangement — that is, where the worker gives up pay, or gives up the right to pay, in return for the expense payment.

We do not operate any arrangement under which a worker's taxable pay is reduced in exchange for an expense payment. Expenses are reimbursed **in addition to** pay, and only where they have been genuinely incurred and properly evidenced.

Any proposal from an agency, hirer or worker to structure expenses out of the assignment rate will be declined and escalated to Compliance.

We do not operate HMRC benchmark scale rates or round-sum allowances for umbrella and PEO workers. All reimbursement is of actual, evidenced expenditure, with the single exception of mileage, which is paid at the statutory Approved Mileage Allowance Payment rate.

4. The expenses claim form

If a contractor wishes to claim reimbursement of expenses without deductions, they must complete a claim form **on every occasion**. The form has to be completed in its entirety. In particular:

- it must be **dated**;
- it must show the contractor's **home postcode** and the details of their vehicle;
- assignment details for site-to-site travelling must be completed, giving the postcode of the location travelled **from** and the postcode of the location travelled **to**. A reference or assignment name is helpful;
- receipts for travelling, other than mileage, must have been produced to the agency;
- **mileage claims must not be rounded up**, and must reflect the actual route travelled;
- the pence per mile claimed must be in accordance with the HMRC approved rates in section 6;
- the form must be **signed by the employee**;
- the form must also be **signed by a representative of the agency**;

- the form may be signed by a representative of the hirer, but this is not essential.

A claim form that is incomplete, undated, unsigned or internally inconsistent will not be processed without deductions. We will not complete or correct a claim form on a worker's behalf.

5. Agency authorisation and indemnity

In addition to the claim form being signed by a representative of the agency, we require the agency to have completed an **indemnity form**. The indemnity confirms that the agency has satisfied itself that the worker is not subject to supervision, direction or control as to the manner in which they provide their services, and accepts responsibility for that assessment.

Where an agency will not provide the indemnity, expenses are paid with deductions. This is not negotiable, and it protects the agency as much as it protects us: under section 688B ITEPA and the supporting regulations, a PAYE debt can be transferred to a party that provides a fraudulent document relating to supervision, direction or control.

6. Mileage rates

Where a qualifying business journey is made in the worker's own vehicle, mileage is reimbursed at the HMRC Approved Mileage Allowance Payment rate. These rates apply for the 2026/27 tax year:

Vehicle	Rate	Notes
Car or van, first 10,000 business miles in the tax year	**55p per mile**	Increased from 45p with effect from 6 April 2026. The first change since 2011.
Car or van, business miles above 10,000	25p per mile	Unchanged. The 10,000-mile count resets at the start of each tax year on 6 April.
Motorcycle	24p per mile	No mileage threshold.
Bicycle	20p per mile	No mileage threshold.
Passenger supplement	5p per mile per passenger	Payable in addition, where the passenger is a fellow employee also travelling on business.

> **Correcting the previous policy**
>
> The 2019/2020 policy stated that the pence-per-mile rate is "based on engine size for the vehicle". **That is incorrect for an employee using their own vehicle.**
>
> The Approved Mileage Allowance Payment is a flat rate that applies regardless of engine size, fuel type or vehicle age. It is the same for petrol, diesel, hybrid and fully electric cars.
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> Engine size and fuel type determine HMRC's **Advisory Fuel Rates**, which apply where an employer reimburses fuel for a **company car**. That is a different framework and it does not apply to our workers, who use their own vehicles.

Paying above the approved rate creates taxable earnings on the excess, reportable through payroll or on form P11D and attracting National Insurance. We do not pay above the approved rate. Where an agency or hirer reimburses a worker below the approved rate, the worker may be able to claim Mileage Allowance Relief from HMRC on the difference.

The government has committed to reviewing these rates for years after 2026/27, with an announcement expected at Budget 2026. This policy will be updated when the position for 2027/28 is confirmed.

7. What can and cannot be claimed

Potentially claimable, where sections 2 and 3 are satisfied

- business mileage in the worker's own vehicle, at the rates in section 6;
- public transport fares for qualifying business journeys, supported by receipts or tickets;
- parking, tolls and congestion charges incurred on a qualifying business journey;
- overnight accommodation where an assignment genuinely requires a stay away from home, at actual receipted cost;
- subsistence necessarily incurred while working away from home overnight, at actual receipted cost;
- professional subscriptions on HMRC's approved list, where relevant to the role.

Never claimable without deduction

- ordinary commuting between home and a permanent workplace, including any workplace that has become permanent under the 24-month or 40% rules;
- any travel where the worker is subject to supervision, direction or control as to the manner of providing their services;
- general daily subsistence where the worker returns home the same day;
- fuel receipts claimed **in addition to** mileage — the approved rate already covers fuel, insurance, servicing, repairs, MOT and depreciation;
- parking or speeding fines, and any other penalty;
- personal expenditure, entertainment, or the costs of a partner or family member travelling;
- any expense funded by a reduction in the worker's taxable pay;
- any expense not actually incurred.

8. Payment of expenses

Expenses are paid on a **different date to the normal payroll**. This enables the Payroll Department to keep a clear track of expenses that have been paid, and to keep the supporting documentation, records and payment details separate from normal employment income which is subject to deductions.

Expense reimbursements are shown separately on the payslip and are clearly distinguished from taxable pay, in line with our Payslip Accuracy and Validation Policy and our Transparent Pay and Deductions Policy.

9. Verification of expenses claimed

In addition to the claim form being signed by the contractor and the agency, and the signed indemnity form, our payroll team carries out **random checks** on the expenses claimed. These checks include:

- verification of the mileage claimed against the start and end locations;
- evidence of the vehicle being used, and confirmation that it belongs to the employee;
- the employee's insurance to use the vehicle for business purposes;
- copies of petrol receipts;
- copies of other travel receipts;
- ensuring that similar journeys are not made on a regular basis, in order to identify that the travel is genuinely site-to-site mileage rather than home-to-work travel;
- checking that a workplace has not become permanent under the 24-month or 40% rules;

- checking that the pattern of claims is consistent with the assignment and the assignment rate.

A worker who cannot produce the evidence when asked will have the relevant claims reprocessed with deductions, and previously paid claims may be recovered under our Overpayment and Clawback Policy.

10. Records

Claim forms, indemnities, receipts and verification evidence are retained in line with our Data Retention Policy, and in any event for at least six complete tax years following the end of the tax year in which the payment was made. Personal data in an expenses claim is processed in accordance with our Data Protection and Privacy Policy.

11. National Minimum Wage

Expenses and the National Minimum Wage interact in ways that are easy to get wrong, and this is an area of active enforcement by the Fair Work Agency, which took over labour market enforcement on 7 April 2026 and can recover arrears going back six years.

- reimbursed expenses **do not count** towards National Minimum Wage pay;
- a deduction or payment made in connection with the worker's employment that is for the employer's own use and benefit reduces NMW pay;
- expenditure a worker is required to incur in connection with the job, and is not reimbursed for, also reduces NMW pay;
- expenses must never be structured so as to bring a worker's pay below the applicable National Minimum Wage or National Living Wage rate for their age.

Every payroll run is checked against the applicable NMW rate before payment. Where a check fails, the run is held and escalated rather than corrected after the event.

12. Why this matters to agencies and hirers

> **Joint and several liability since 6 April 2026**
>
> Where a worker is supplied through an umbrella company, HMRC can recover unpaid PAYE income tax and Class 1 National Insurance from another party in the labour supply chain on a joint and several basis — in most cases the recruitment agency contracting with the end client, or the end client where there is no UK agency in the chain.
>
> Liability arises **irrespective of fault**, and HMRC does not have to pursue the umbrella first.
>
> An expense paid without deduction that should have been taxed creates exactly this kind of PAYE shortfall. What used to be a problem for the umbrella alone is now a shared exposure.

This is why the requirements in this policy are strict and why we will not process a claim that falls short of them. An agency that presses for expenses to be paid without deduction on a thin evidential basis is not saving its contractor money — it is accepting a liability that will land on the agency itself.

Statutory regulation of umbrella companies is expected from 2027 under the Employment Rights Act 2025, with the Fair Work Agency expected to hold the remit. We are preparing on that basis.

13. Consequences of a non-compliant or false claim

- expenses will be reprocessed and paid subject to deductions for tax and National Insurance;

- amounts already paid without deduction may be recovered, together with any tax, National Insurance and interest we are required to account for;
- an employee who submits a false claim, or who authorises payment without deduction in breach of this policy, commits a **disciplinary offence** and may be dismissed for gross misconduct;
- an agency that provides a false or fraudulent supervision, direction or control document may have a PAYE debt transferred to it, and we may terminate the supply relationship;
- a deliberately false expenses claim is a fraud offence. Since 1 September 2025, where an associated person commits a fraud offence intending to benefit an organisation, that organisation can be criminally liable under the failure to prevent fraud offence unless it had reasonable prevention procedures in place. This policy is one of those procedures;
- where we suspect deliberate fraud, we will report it, in line with our Payroll Fraud Prevention and Detection Policy and our Anti-Bribery and Anti-Corruption Policy.

14. Questions and disputes

If you are unsure whether an expense can be claimed, ask **before** you incur it. If you disagree with a decision on a claim, raise it with the Payroll Department in the first instance, and then under our Complaints Procedure if it is not resolved.

> **Contact**
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> Expenses and payroll queries: payroll@peoplegroupservices.com
>
> Policy and compliance queries: compliance@peoplegroupservices.com
>
> Telephone: 0345 034 1530
>
> Post: People Group Services Limited, Three Horseshoes Walk, Warminster, Wiltshire BA12 9BT

15. Review

This policy is reviewed at least annually, at the start of each tax year, and on any HMRC announcement affecting approved rates or the treatment of travel and subsistence. The current version is always published on our policy portal.

16. Declaration

This Policy is approved by the Board of Directors of **People Group Services Limited**, Company Number 11570329.

> **Version:** 2026.8 | **Effective:** 21 August 2026 | **Supersedes:** the 2019/2020 Expenses Policy
>
> **Next scheduled review:** 6 April 2027, or earlier on an HMRC announcement

Signed for and on behalf of the Board of Directors

Date
21 August 2026