

**TAXREP 31/01**

**EMPLOYER SUBSIDIES OF PUBLIC BUS SERVICES**

*Text of a letter submitted in November 2001 to the Revenue by the Tax Faculty of the Institute of Chartered Accountants in England and Wales in response to an invitation to comment issued in October 2001*

## **EMPLOYER SUBSIDIES OF PUBLIC BUS SERVICES**

1. We welcome the opportunity to comment on the proposals posted on the Revenue website in October 2001.
2. We concur with the views and the potential benefits that your note states have been expressed by others. Cheap fares are attractive and in the commercial world with a competitive labour market, all other things being equal, employers whose employees can take advantage of this will be better able to recruit and retain labour.
3. The points on which comments are specifically invited indicate that there is the potential for good intentions to be strangled by petty restrictions. If this happens, it would discourage employers from participating in the scheme for fear that a PAYE/NIC auditor some years hence concludes that they have not applied the strict letter of the law and that there are liabilities to back tax and NIC. We suggest that if the Revenue really wish to encourage employers to make the intentions of the government work in practice, the rules should be kept as simple as possible.
4. Accordingly, with regard to the first two questions in your note, namely 'Would it be appropriate to limit reduced cost journeys, free of tax and NICs liability, on public buses subsidised by employers to local bus services operating within a radius of, say, 10 miles from the workplace?' and 'Should the subsidies that employers can pay to bus providers be limited to a maximum amount per employee? If so, how much?' we would respond simply that it should be left to employers to impose their own restrictions taking into account commercial considerations when negotiating with bus operators and workers' representatives.

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