



Marcial Boo
Chief Executive

**Independent Parliamentary
Standards Authority**
2nd Floor
85 Strand
London
WC2R 0DW



Sir Jonathan Thompson KCB
**Chief Executive and
Permanent Secretary**

Room 2/75,
100 Parliament Street
London
SW1A 2BQ

8 August 2019

Our ref: CEO-2019-216

Dear Member of Parliament,

On 31 January, IPSA wrote to you about the changes to the way that MPs' taxable expenses are processed. This joint letter from IPSA and HMRC explains the changes in more detail.

Previous treatment of taxable expenses

Under tax legislation, HMRC requires that all taxable expenses be included in the payroll and taxed alongside employees' monthly pay. However, HMRC had previously granted IPSA permission to report these amounts through MPs' P11D forms. Since 2016-17, following agreement with HMRC, IPSA met all the tax liability associated with taxable expenses on behalf of MPs. Examples of these expenses include diverted journeys and accountancy costs.

However, in some circumstances, legislation permits employers to meet the tax liability for some expenses on behalf of their employees. This is where the expenses are minor or irregular. In the case of MPs, IPSA pays the taxable expenses on behalf of MPs for the purchase of newspapers, dependant travel, spouse travel, food and drink off the parliamentary estate, taxi and hotel costs (as defined in the Scheme of MPs' Business Costs and Expenses).

As we have communicated to you previously, HMRC has decided that the costs met by IPSA in respect of security installed at a MPs' constituency home should also be exempt from income tax. This position is not changing.

April 2019 changes

In April, following agreement with HMRC, the treatment of MPs' expenses now follows the process set out in legislation. This means that IPSA now puts these taxable expenses through your monthly payroll. This was programmed into the new IPSA Online finance and expenses system.

This change does not alter how you make a claim for business costs. You should make all claims on IPSA Online in the normal way. Taxable expenses will be identified and checked on the system. IPSA will reimburse you for your business costs as usual. Any taxable expenses will now have tax deducted alongside your salary, rather than included on your end-of-year P11D. IPSA will provide you with a taxable expenses statement which will show the claims that have been taxed in that month.

As a result, the P11Ds that you have recently received will be the last that IPSA needs to issue to you.

Further guidance

Further guidance on using IPSA Online can be found here:

<https://crm.ipsaonline.org.uk/how-to-use-ipsa-online>.

IPSA is taking a number of immediate steps to respond to the increased volume of queries from MPs and their offices since April, including through additional staff and weekly training sessions and face-to-face meetings.

IPSA's Scheme of MPs' Business Costs and Expenses can be found here [The Scheme](#).

Further HMRC guidance can be found here:

<https://www.gov.uk/hmrc-internal-manuals/employment-income-manual>

Communication with IPSA and HMRC

For general queries about your business costs and expenses, as well as for queries about the way you have been taxed and what has been included on your payslip, please continue to contact IPSA on 0207 811 6400 and info@theipsa.org.uk.

If you have questions about your personal tax affairs, please contact HMRC as follows. The advice line for MPs is 03000 581587 or 03000 581588. For the staff of MPs, the number is 03000 534720.

Yours sincerely,



Marcial Boo
Chief Executive
IPSA



Sir Jon Thompson
Permanent Secretary
HMRC