[05-02-19] Expenses of travel - Non-executive directors attending board meetings

Reviewed March 2016

1. Introduction

The purpose of this manual is to set out the position in relation to the tax treatment of expenses of travel incurred by non-executive directors, who are resident in the State, in attending board meetings.

The tax treatment of expenses of travel and subsistence incurred by non-executive directors, who are not resident in the State, is set out in Manual 07-01-36.

2. Statutory position

The statutory position in relation to the tax treatment of expenses, including expenses of travel, paid or reimbursed by a company to a director (including a resident non-executive director) and expenses incurred by a company on behalf of a director, is that all such payments and reimbursements which are not otherwise chargeable to income tax as income are

- treated as a perquisite of the office or employment by virtue of the provisions of section 117 of the Taxes Consolidation Act 1997, and

- within the scope of the PAYE/USC system of deduction at source.

However, a director is entitled to make a claim under the provisions of section 114 of the Taxes Consolidation Act 1997 in respect of expenses of travelling in the performance of the duties of the office of director which he or she is necessarily obliged to incur, as well as in respect of other expenses wholly, exclusively and necessarily incurred in the performance of those duties.

The rule in section 114, and the equivalent rule in the UK, has been the subject of much judicial consideration over many years. The rule has been found to be extremely narrow. In particular, it has been decided that the necessity to incur travel expenses must be imposed

- by the duties of the office or employment itself rather than the personal circumstances of the office holder or employee, and

- on every person holding that office or employment regardless of
the holder’s personal circumstances or where he or she lives.

It follows that, generally speaking, the cost of travel by a non-executive
director from home to board meetings will not qualify for a deduction under
section 114. This is not to say that there are no circumstances in which a non-
executive director’s expenses of travel in respect of attendance at board
meetings would qualify for a tax deduction under that provision.

For example, in the (UK) case of Taylor v Provan (1974 STC 168), it was
accepted that the office held by the taxpayer was specifically created for him
and relief was allowed. However, even assuming that the rationale in the case
was to be adopted by the Irish courts, the circumstances of the case were so
unusual that the decision does not affect the general principles to be applied in
relation to claims under section 114.

3. Revenue Guidance

Revenue has issued extensive guidance over the years in relation to the
circumstances in which the expenses of travel and subsistence may be paid or
reimbursed free of tax. This guidance is set out in detail in Statement of
Practice SP IT/2/07 and Revenue Leaflets IT 51 and IT 54. The purpose of
the guidance is to avoid the necessity for all employees and office holders to
submit travel expense claims annually in respect of travel expense payments
or reimbursement of such expenses which had been taxed at source under the
PAYE/USC system.

The circumstances in which expenses of travel may be paid or reimbursed free
of tax, as outlined in guidance, broadly reflect the statutory conditions under
which relief may be granted.

This guidance does not alter the fact that, before expenses of travel qualify for
a tax deduction, such expenses must meet the requirements of section 114.

4. Non-executive directors travelling to board meetings

An individual resident in the State, in his or her capacity as a non-executive
director with no executive role within a company, will generally perform some
level of preparatory work before attending board meetings. In some instances,
this preparatory work will be carried out in the director’s home and, in other
instances, it will be carried out at another location, generally of the director’s
choosing.

Having regard to the statutory position outlined above, the fact that some work
is carried out outside the board meeting does not mean that the expenses
incurred by resident non-executive directors travelling to and from those
meetings qualify for a tax deduction under section 114. Furthermore, where such expenses are paid or reimbursed by the company to or on behalf of a resident non-executive director, they are taxable and within the scope of the PAYE/USC system of deduction at source. Nothing in the guidance referred to in paragraph 3 should be taken as altering that position.

As stated above, it is open to any resident non-executive director to submit a claim under the provisions of section 114 in respect of expenses of travelling in the performance of the duties of the office of director which he or she is necessarily obliged to incur. Where he or she is aggrieved by the determination of such a claim, the determination may be appealed to the Appeal Commissioners in the normal way.