

Advice Notes

Expenses

The reimbursement of an expense which an employee has to incur in carrying out his employment does not represent any such personal benefit or gain, so does not constitute earnings.

Consequently, payments made to cover business expenses incurred by an employee are excluded from gross pay for Social Security purposes.

However, payments made to cover personal expenses are gains or benefits to the employee and therefore seen as earnings. These do have to be included in gross pay.

Petrol Expenses

The reimbursement of petrol expenses incurred by an employee is common, with different methods of repayment being applied by different employers.

An employer may pay a mileage allowance where there can be no question that this is a specific and distinct payment towards expenses and should therefore be excluded from the calculation of earnings.

However an employer may pay a regular and fixed additional sum of money because an employee may sometimes use their car for work purposes. In these cases the employee gets paid an additional amount regardless of whether expenses are incurred i.e. whether the car is used or not an increased gross wage is paid.

This type of payment cannot be considered as expenses if it is paid regardless of whether the employee incurs an expense or not. Consequently, in these cases the value of the additional payment must be included in gross earnings.