

Summary of suggested approach and options

Meals

- We suggest that employee expenditure payments to meet an employee's meal expenses during work travel away from the employee's normal workplace should be exempt from tax, subject to a three-month upper time limit at a particular work location.
- Employee expenditure payments to meet the cost of an employee's working lunches and other working meals/refreshments outside of work travel should not be taxed, provided any payment is not made regularly as an additional payment for the employee's services.

Accommodation

- We suggest that employee expenditure payments to meet an employee's accommodation expenses during work travel away from the employee's normal workplace should be exempt from tax, subject to a 12-month upper time limit at a particular work location, with a power for the Commissioner to extend that time limit in certain exceptional circumstances.
- When an employee is provided with accommodation by their employer at or near their normal workplace, the value of the accommodation should be taxable to the employee based on the market rental value of the property, after taking into account any employee contribution to the cost of the accommodation.
- When an employee has more than one permanent workplace for the same job, one option is not to tax employee expenditure payments to cover accommodation costs at one workplace.
- A valuation method other than market rental value may be needed to establish the taxable amount when the accommodation is in an overseas location – for example, a valuation by reference to comparable New Zealand accommodation.

Communications

- We suggest that employee expenditure payments to meet internet and other electronic communication costs should be taxed in full when meeting mixed work-related and private expenses and there is no separately identifiable work or private element.

Clothing

- We consider that employee expenditure payments to meet clothing costs should be taxed in full except when they relate to uniform, protective or specialist clothing required for the employee's job.

General legislative issues

- Alternative approaches to the current general legislation around the tax treatment of employee expenditure payments are considered, ranging from a fundamental change in approach to leaving the general rules unchanged but introducing a power to exempt particular payments by Commissioner determination – making power for the treatment of payments not addressed by specific rules.
- Changes may be needed to the legislation concerning “expenditure on account of an employee” to remove ambiguities around the application of the general exclusions.

For more information:

<http://taxpolicy.ird.govt.nz/publications/2012-ip-employee-allowances/overview>