



File M
SLHALB

10 DOWNING STREET

From the Principal Private Secretary

1 May 1986

TRAVELLING EXPENSES OF SPOUSES OF SENIOR CIVIL SERVANTS

I have shown the Prime Minister your letter of 30 April in which you say that Sir Peter Middleton proposes to tell heads of departments that it will no longer be necessary to make returns of overseas travel at public expense by wives of senior civil servants. Sir Peter would emphasise once more the need for the greatest restraint in the use of such a facility, and he would reserve the right to make enquiries from time to time, and to reintroduce reporting if it looked as though the provision was being mis-used.

The Prime Minister agrees Sir Peter should proceed in the way he proposes in your letter.

N L WICKS

K. F. Murphy, Esq.,
H M Treasury

ECL



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Sir Peter Middleton KCB
Permanent Secretary

N L Wicks Esq CBE
No.10 Downing Street
LONDON
SW1

Prime Minister
Agree x?

N.L.W

30.4

Yes
no

30 April 1986

Dear Nigel,

TRAVELLING EXPENSES OF SPOUSES OF SENIOR CIVIL SERVANTS

Sir Peter Middleton wrote to Heads of Departments on 30 April 1984 (copy attached) giving guidance on the question of allowing spouses of senior civil servants to accompany them on official trips abroad at public expense. Heads of Departments were given discretion to approve payment of such expenses in exceptional circumstances, and subject, as a minimum, to their satisfying the Inland Revenue criteria for deciding whether such payments should be free of tax. The Prime Minister saw, and was content with, a draft of the letter. (Douglas Board's letter of 9 April 1984 and Robin Butler's reply of 13 April 1984).

Sir Peter Middleton considered it important, at least for the first year or two, to monitor the use of this new provision. He accordingly asked Heads of Departments in his letter to provide a note each year of the occasions on which they had exercised their discretion. In the event, the numbers have, as expected, been very small: five occasions in 1984; and three in 1985. In view of this, there now seems little justification for continuing to monitor use of this provision and Sir Peter Middleton proposes to tell Heads of Departments that it will no longer be necessary to make returns while emphasising once more the need for the greatest restraint in the use of this provision. We would however reserve the right to make enquiries from time to time, and to re-introduce reporting if it looked as though the provision was being misused.

As the Prime Minister saw the terms of the original guidance on this sensitive subject, Sir Peter Middleton would be grateful to know whether she would be content with the proposed change.

Yours,

Kivan.
K F MURPHY
Private Secretary

PART
14

X



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Sir Peter Middleton KCB
Permanent Secretary

Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
LONDON
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30 April 1984

Dear Robert,

TRAVELLING EXPENSES - WIVES OF SENIOR CIVIL SERVANTS

It has been a longstanding rule that the expenses of a spouse who accompanies a civil servant to an official function can be reimbursed from public funds only in the most exceptional circumstances. This rule was introduced and has been upheld on the grounds of propriety. The widespread use of public funds for this purpose would be misunderstood and would attract adverse comment.

... In his letter of 7 February 1975 to Douglas Wass, a copy of which is enclosed, Ian Bancroft announced a minor easement of this very strict rule, giving Heads of Departments discretion in certain exceptional circumstances to allow the reimbursement of such expenses incurred in travel within the United Kingdom out of public funds.

This left the rule in respect of travel outside the United Kingdom unaltered. It has however been recently suggested that the distinction between travel within the United Kingdom and outside the United Kingdom is not logical. There could be rare circumstances where it would be acceptable to charge to public funds expenses of accompanying spouses on overseas trips. Ministers have accordingly agreed that the rules applying to domestic travel, set out in paragraph 3 of the letter of 7 February 1975, should be extended to embrace overseas travel also.

... It is impossible to lay down hard and fast rules as to the precise circumstances which warrant the reimbursement of a spouse's expenses. A useful test, however, is whether the Inland Revenue would deem the officer concerned to be liable to tax on the cost of the spouse's trip. I attach a copy of Chapter 9 of Inland Revenue's booklet, "Notes

on Expenses Payments and Benefits for Directors and Certain employees". Reimbursement of a spouse's expenses should never be authorised unless they satisfy the Revenue's "wholly, exclusively and necessarily in the performance of" test; and not of course always then. This is a necessary but not always sufficient condition.

Clearly Heads of Departments will exercise great care and restraint in using this discretion. For both overseas and domestic travel prior approval should always be the rule. The letter of 7 February 1975 talked of reimbursement of domestic travel expenses being restricted normally to spouses of officials of the rank of Assistant Secretary and above although some scope was given in respect of slightly more junior officers. for overseas travel reimbursement of expenses should be restricted normally to spouses of officials of the rank of Permanent Secretary and equivalent, although very exceptionally this could extend downwards to Deputy Secretary and equivalent.

Heads of Departments will want to ensure that in cases where they do exercise this discretion the travelling and subsistence costs are kept to the minimum. The journeys should be made in as economical manner as possible although it is accepted that the spouse may travel in the class appropriate to the official. As to subsistence, there will (I hope) be only a handful of cases a year at the most. Rather than pay the appropriate flat rate departments should reimburse the actual expenses of husband and wife for room and breakfast on top of which both might receive an average sum for meals and incidental expenses up to a maximum of one-third each of the appropriate rate of night subsistence allowance. This would apply both to the UK (and therefore supersedes paragraph 4 of Ian Bancroft's letter of 7 February 1975) and to overseas trips.

In order to maintain consistency and ensure that there is no "drift", I ask Heads of Departments to let me have a note every year detailing the occasions on which they have exercised discretion; I would ask that this note should also include details of the occasions on which they have exercised discretion in respect of reimbursement of travelling expenses within the United Kingdom. This is a difficult and potentially sensitive area, and it is very important to ensure that it remains very tightly controlled and monitored. Could I ask for the first such note to cover the period up to 30 September this year, and to reach me as soon as convenient after that date.

... I am copying this letter to Heads of Departments on the attached list who will want to keep it with their Personal Handbook. When we next revise that Handbook the sense of this letter can be incorporated into the text. I am also sending copies for information to Gordon Downey and Ewart Bell.

Yours ever,
Peter

P E MIDDLETON

CHAPTER 9—Travelling and subsistence expenses of wives accompanying their husbands on business trips

General

9.1. Where an employer (or another person acting on behalf of the employer) bears the travelling and subsistence expenses of an employee's wife who accompanies her husband on a business trip, the employee is liable to tax on the cost of the trip except so far as the expenses of the wife's journey may be allowed under the ordinary expenses rule as having been incurred "wholly, exclusively and necessarily in the performance of" her husband's duties. Whether such an allowance can be made will depend upon the facts of the particular case.

9.2. An allowance for the wife's expenses might be admissible if she has some practical qualification directly associated with her husband's mission which she uses to assist him regularly during the tour. Alternatively her presence might be essential to act as hostess at a series of business entertaining occasions for overseas customers (see Chapter 20) which are a vital part of the mission. Her expenses might also be allowed where the husband's health is so poor that it would be unreasonable to expect him to travel alone.

9.3. Where, however, the part played by the wife is relatively unimportant (such as giving her husband occasional assistance with clerical duties or making the travel and hotel reservations), or the main reason for her travel is personal, e.g. to avoid the separation from her husband or to visit relatives abroad, her expenses would be regarded as inadmissible.

9.4. In some cases it may be necessary to apportion the total cost of the wife's travelling and subsistence between business expense and private expense. Further, the remarks at paragraph 8.6 above about sums spent by employees for personal reasons apply also to their wives.

Maintenance of records

9.5. Where a claim is made that a wife's expenses are allowable for tax purposes it is important that the claim should be supported by records and the comments in paragraph 8.13 are of particular application. If it is claimed that the reason for the wife's journey was to act as hostess during the business entertaining of overseas customers it should be borne in mind that the inspector may ask for information about the occasions and the extent of any such entertaining.

Wife's expenses borne by the husband

9.6. Where the wife's expenses are not borne by her husband's employer (or another person acting on behalf of the employer) no deduction for tax purposes under the expenses rule described in paragraph 7.1 can normally be allowed.

CIVIL SERVICE: Pay and Pensions: PE 15

