
Report to OVERVIEW AND SCRUTINY BOARD

Tax Relief for Public Transport Travel

Portfolio Holder:

Councillor Brownridge, Cabinet Member Neighbourhoods & Culture

Officer Contact: Helen Lockwood, Deputy Chief Executive

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Purpose of the Report

Following the full council meeting held on 17th June 2020, Councillor Harkness **MOVED** and Councillor Hamblett **SECONDED** the following motion:

This Council notes that:

- In his article for the Daily Telegraph 'Tax Relief just the Ticket' (6 October 2013), journalist Boris Johnson called for employees to be 'allowed to pay for their season tickets from their pre-tax income.'
- Mr Johnson advocated for the introduction of a new tax relief scheme, limited to the basic rate, whereby 'the employer would buy the season ticket and deduct the cost from his or her (employee's) pay packet – and only then would the employee be assessed for tax.'
- The impact of such a scheme would mean that employees would have less taxable income reducing their liability for income tax and national insurance and the employer would also save on national insurance contributions.
- An annual season ticket costs a Metrolink tram commuter from Shaw to Manchester £1,154, a Train commuter from Greenfield to Manchester £1,208, and a Bus commuter with First Manchester £670.
- Such a tax-relief scheme would represent a significant financial saving for our Borough's commuters.
- Council further notes that now Mr Johnson is Prime Minister he has it within his power to put his aspirations for tax relief on seasonal travel tickets into practice.

Council resolves to:

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- Council resolves to ask the Chief Executive to write to the Prime Minister and Chancellor of The Exchequer to request that this Government introduces a tax relief scheme.
 - This would be on seasonal travel tickets (following the principles outlined in Mr Johnson's Telegraph article in 2013) making this effective as soon as possible.
 - Write to the Mayor of Greater Manchester saying that we all should support such a scheme."

Councillor Roberts MOVED and Councillor Fielding SECONDED that under Council Procedure Rule 8.4d) the motion be referred to Overview and Scrutiny Board.

Councillor Harkness did not exercise his right of reply.

On being put to the VOTE, that the MOTION be REFERRED to Overview and Scrutiny Board was CARRIED UNANIMOUSLY.

RESOLVED under Council Procedure Rule 8.4d), the motion be referred to Overview and Scrutiny.

Executive Summary

N/A

Recommendations

- The decision that needs to be made is whether to ask the Chief Executive to write a letter to the Prime Minister, the Chancellor of the Exchequer and the Manchester Mayor to consider introducing a salary sacrifice tax relief scheme for Public Transport Travel.
- Asking for this consideration would not commit the Council to taking part in any subsequent scheme.
- The Officer recommends that Overview and Scrutiny agree to ask the Chief Executive to write a letter to the Prime Minister, the Chancellor of the Exchequer and the Manchester Mayor to consider introducing a salary sacrifice tax relief scheme for Public Transport Travel.

Tax Relief for Public Transport Travel

1 Background

- 1.1 There have been several Government led initiatives to enable employers and employees to make savings through salary sacrifice schemes, such as childcare vouchers and cycle2work. This means that the employer provides the funds upfront for an employee to buy goods or services. The employee agrees to pay back the amount from their salary usually over a period of 12 months. The deductions are calculated from the salary before tax and national insurance is calculated. The employee makes savings in their tax and national insurance contributions and the employer saves on their employer national insurance contributions.
- 1.2 Salary sacrifice schemes for Public Transport (excluding rail) were previously made available to employers by Government and in use in Oldham Council under the GreenTravel2WorkScheme.
- 1.3 In the Autumn Statement of 2016, the Chancellor Philip Hammond announced a tightening of salary sacrifice schemes to come into force on 6th April 2017, the start of the new tax year.

2 Current Position

- 2.1 For Oldham Council, Pay and Reward currently manage schemes of this nature which are approved by HMRC. Any employer can set up an approved scheme for their staff.
- 2.2 There isn't currently an approved scheme to allow a salary sacrifice scheme to be set up for Public Transport Travel.

3 Key Issues for Overview and Scrutiny to Discuss

- 3.1 The key issue to discuss here is whether to ask the Chief Executive to write a letter to the Prime Minister, the Chancellor of the Exchequer and the Manchester Mayor to ask them to consider bringing back a HMRC approved salary sacrifice scheme for Public Transport Travel.

4 Key Questions for Overview and Scrutiny to Consider

- 4.1 Would a HMRC approved salary sacrifice scheme for Public Transport Travel benefit Oldham employers and employees including the Council and those employed by the Council?

5. Links to Corporate Outcomes

- 5.1 Links to Council ambition to be a Carbon Neutral Borough by 2030.

6 **Additional Supporting Information**

6.1 The previous scheme aimed to save employees 41% on their annual season tickets.

7 **Consultation**

7.1 N/A

8 **Appendices**

8.1 GreenTravel2Work Scheme 2005, information leaflet.