

Fact Sheet

Allowances

The NAECI, in common with similar national agreements in the construction sector, benefits from certain extra statutory concessions agreed with HMRC. These relate to travel between home and place of work and differ from the general regulations on travel and subsistence expenses for employees issued by the Revenue.

The beneficial taxation treatment of these allowance under the NAECI only applies to employers and employees who subscribe to the national agreement between the ECIA/TICA/SELECT for the employers and UNITE/GMB for the trades unions and whose work has been registered with the National Joint Council. This means that they cannot be utilised by companies not in membership of the relevant association and any attempt to do so will render both company and employee liable for tax. Such allowances are contained mainly in the provisions of NAECI 9.

Radius allowance

Radius Allowance has two scales. Scale 1 is payable to employees who travel by their own means and consists of two elements, one to cover the notional cost of travelling which is non taxable and the other in respect of the time spent in travel which is taxable. Scale 2 applies where the employer provides free transport and therefore, as the payment relates to travel time only, it is subject to tax. Radius allowance is only payable once per day, based on the mileage travelled one way. It is not paid for the journey from home to site and then paid again for the journey back from site to home.

Accommodation allowance

Accommodation Allowance is payable when by agreement with the employer, which shall not be unreasonably withheld, an employee lives away from home. Payment is usually tax free (see later paragraphs in bold) and is normally for a 7 day week except in the case of a broken week and is subject to the completion of an Application for Accommodation Allowance form which requires a declaration by the applicant and a warning that a false declaration can incur a liability to prosecution.

If a worker cannot find lodgings within acceptable financial limits, an employer may agree to reimburse actual accommodation expenses against receipts as an alternative to paying NAECI accommodation allowance. Any such accommodation must be considered reasonable by the employer and mutually acceptable. If the employer reimburses accommodation expenses which are higher than the current NAECI Accommodation allowance value and it cannot be demonstrated that the circumstances are exceptional e.g. it is an exceptionally high-cost area, then the amount in excess of accommodation allowance must be taxed.



The employee only receives one of the above payments except where an employee is in receipt of the accommodation allowance and accommodation cannot be found within 10 miles.

Travel Payments

Travel Payments can be paid at commencement, termination, on transfer between sites or for the periodic leaves that are normally scheduled once a month. Transport expenses, based on standard class fares or vouchers are paid free of tax. Travelling Time, calculated on the RAC Route Planner fastest route and based on one hour for the first 30 miles and one and a half hours for each subsequent 20 miles, is payable for one way travel and is taxable.

It is important to note that both radius allowance and accommodation allowance will be taxable under HMRC rules if it is the employee's 'first assignment' with the employer and they have been recruited at a site, to work on that site, as distinct from being recruited at the company's office off-site or at its head office. Since April 2016, HMRC have decreed that anybody engaged through an employment intermediary (e.g. an ECIA Employment Business) cannot receive accommodation allowance or radius allowance tax free for any assignment.

Details of all these payments and other special arrangements are contained in NAECI Sections 9.1, 9.2, 9.3, 9.4 and there is a reference in 9.5 related to special circumstances where the employer, at his sole discretion, has agreed air travel.

Contractual Severance Pay

Contractual Severance Pay as described in NAECI 16.5 (a), is due on termination of employment because of redundancy or at the end of a fixed term contract for each week of continuous employment up to a maximum of 103 weeks. This will not apply when the individual has completed 104 weeks' service (2 years) when statutory redundancy payments become required. These payments are tax free up to a limit of £30,000 for all employees.