

Travel and Expense Policy: What Is It, Example Template, and Best Practices



IN THIS ARTICLE

- What Is a Travel and Expense Policy?
- Why You Need a Travel and Expense Policy?
- Considerations for a Policy that Works for Your Business
- How to Create an Effective Policy for Your Organization
- Travel Expense Policy Template

What Is a Travel and Expense Policy?

To travel for work-related purposes, employees often need to submit a travel expense report detailing their costs.

This can include travel costs like airfare, hotel, and other miscellaneous expenses like meals and incidentals.

Many companies have a travel and expense policy outlining the rules and

procedures for submitting these reports.

In this blog post, we will discuss what a travel and expense policy is, provide an example template, and outline some best practices.

Why You Need a Travel and Expense Policy

Establishing a travel and expense policy for your business is a wise choice.

A clear policy defines allowable expenses for any business trip, which reduces the chance of unnecessary or inappropriate charges.

It's efficient and cost-effective to have a predetermined budget for each employee that adheres to the company's financial regulations - this ensures employee reimbursements are issued following company standards.

Having all of these processes itemized allows you to track spending more accurately, so there won't be unwelcome surprises during the budget season either.

With a travel and expense policy in place, your organization can manage employee journeys and reimbursements competently.

With rules in place, it's easier to predict how much each traveler will spend on business travel expenses, making overall expense management easier.

Other benefits include:

- Tax write-offs for the company and IRS regulations compliance.
- Fraud prevention.
- Streamlines reimbursement.

Considerations for a Policy that Works for Your Business

Using a blanket T&E policy may be tempting, but the fact is, no two companies operate the same way.

They should have customized policies that fit the company's needs while supporting employees.

At its core, the policy should address how employees are expected to pay and be reimbursed for trips taken on behalf of their company.

The policy must also feature detailed guidelines surrounding who is authorized to book travel arrangements and any limits and restrictions.

Companies may also want to consider implementing a pre-trip authorization process, and requiring all expenses related to the trip to be documented in order due documentation for reimbursement purposes.

Keeping your travel and expense policy up-to-date with current laws, regulations, and industry standards is important for maintaining compliance with current laws, so companies should stay aware of changes that may affect their policies.

Put Finance and HR to Work Together

To start crafting a T&E policy for your organization, arrange a meeting with both finance and human resources.

Collaboration and cooperation between these two teams are crucial.

The finance department provides information about current expenses and supports creating the guidelines employees need to follow. HR then communicates the policy to employees and enforces compliance.

Consider Multiple Factors Unique to Your Organization

Some companies may choose to reimburse incidental expenses. Some companies provide a per diem allowance, while others only reimburse actual expenses.

Start by looking at your organization's current travel spend. As you analyze the data, consider the following:

- How often do employees travel?
- How much does the average business trip cost?
- What percentage of employees travel?

- What is the return on investment of these trips?
Measuring ROI on business trips can be difficult, depending on the nature of the trips and the reason for them.

With the answers to those questions in hand, consider:

- **Methods of Travel:** Which methods of travel are acceptable? Will employees be able to travel in business class or first class, or is air travel limited to coach only? Will you cover any extra luggage fees? What about ground transportation? What's the maximum spending limit? Are there special rules that apply to international travel?
- **Lodging Expenses:** What is the limit for a hotel room? Are employees required to stay at a certain hotel or within a certain chain?
- **Personal Vehicle Expenses:** How will employees report mileage? What's the maximum you'll reimburse for parking expenses?
- **Meal Expenses:** What is the per diem for meals? Are all three daily meals covered? Are they allowed to take clients to dinner? Will you reimburse room service? Are entertainment and related expenses included while on the trip?
- **Miscellaneous Expenses:** Think of this as the unexpected. What if an employee's luggage is lost and they need to purchase new clothes? What if they get bumped from their flight, and there's an additional fee to rebook? What if the car rental company doesn't have the economy car that was booked?
- **Company Credit Cards:** Who is allowed to use the cards, and what can they use them for?
- **Expense Reporting Process:** How are employees to track their out-of-pocket expenses? Who do the employee expense reports go to? How do they submit them? Are original receipts required, or will scanned/photographed versions suffice?

How to Create an Effective Policy for Your Organization

Outline everything you deem acceptable in the above categories. If certain things aren't covered, make sure those are clearly defined.

For example, meals are covered, but alcoholic beverages are not.

1. Define what is considered an acceptable business purpose. Will you cover trips for continuing education?
2. Define who is authorized to book travel arrangements. What booking tools can be used?
3. Define how to turn receipts and expense reports.
4. Define the acceptable timeframe for reimbursement requests (such as within 15 days after the trip is complete) and when employees can expect to receive the reimbursement.
5. Include any other guidelines for reimbursable expenses, including rules for upgrades, tolls, mileage rate, per diem rates for each department, gratuities, etc.

How To Create A Travel & Expense Policy



PLANERGY™

Once these details are outlined, it's time to put them together into a formal travel policy.

Your business needs a travel management policy, but it can be hectic to put one together. Our template will help.

Travel Expense Policy Template

Your policy should be broken down into six sections:

1. Introduction
2. Travel Booking Process
3. Business Expense Categories
4. Non-Reimbursable Purchases
5. Expense Reporting and Reimbursement Process
6. Travel Support, Safety, and Duty of Care

1. Introduction

Use this section to let your staff know your policy isn't just more red tape - it's designed to keep them safe, keep things fair, reduce confusion, and ultimately, save time.

Depending on your organization, you may have multiple policies - different policies depending on the department or type of employee. If that's the case, your introduction should also include who the policy is for.

2. Travel Booking Process

Use this section to include everything your team needs to know about where and how to book travel - whether someone will make the arrangements for them or they will make the arrangements themselves.

Here's where you outline:

▪ **How to Book Travel**

Include your process, method, and platform for booking any company travel. It's ideal to use a platform to allow employees to book options within policy. If you do, include the name of the platform.

If employees cannot book their own travel, include the name and contact information of the travel agency or company employee who will take care of booking the travel arrangements.

▪ **Approval Process**

Include the details of the approval process, especially for senior management. The approval process for the C-Suite and senior employees may vary from others.

▪ **Leisure Extensions**

If you want business travelers to be able to extend their trip to the weekend or use vacation days for additional time, include rules

around these extensions.

Include details about the allowable difference for return flights and what separates personal expenses from business ones.

Make it known that they will incur additional costs that your company will not reimburse.

▪ **Loyalty Program Usage**

Many companies don't let employees accrue personal loyalty points on business travels.

But, if you trust your team to do the right thing, include a line that says something along the lines of, "Employees must not choose more expensive travel options for the sole purpose of gaining additional loyalty points."

▪ **Traveling with Non-Employees**

Expenses related to traveling with spouses or other family members, pets, or friends outside of the company aren't generally eligible for reimbursement.

If any situations are subject to approval, such as attending a networking event, outline these possibilities.

3. **Business Expense Categories**

This is a crucial part of your template as it outlines what employees can expense. This is key to keeping things as cost-effective as possible.

Air Travel

- Preferred vendors
- Approved tools or methods of booking
- Rules regarding allowed travel class
- How many days in advance must flights be booked for both domestic and international travel.

Accommodations

- Preferred vendors and negotiated rates, if any
- Approved tools or methods of booking
- Maximum nightly rate
- Rules regarding standard rooms and upgrades - for instance, upgraded rooms are only allowed when standard is completely booked
- Reimbursable costs - parking, etc.
- Rules for booking house-sharing or apartment rentals

Rental and Personal Vehicles

- Allowed types of rental car class
- Number of employees expected to share a vehicle when traveling together
- Mileage reimbursement rate, per mile or kilometer

Rail Travel

- Approved tools or methods of booking
- Type of ticket allowed

Taxis and Ride-Sharing Services

- Maximum amount per transaction
- When use of these services is allowed (particularly in areas where airport shuttles or public transport isn't practical)

Events and Conferences

- Reimbursement process for registration if it was not pre-paid.
- Process for other event or conference-related expenses, such as meals or things not included in the registration cost

Meals, Travel, and Entertainment

- The maximum reimbursable amount for each breakfast
- The maximum reimbursable amount for each lunch
- The maximum reimbursable amount for each dinner
- Or a daily maximum or per diem
- Personal meal expenses throughout the trip

- Rules for business meals
- Rules for client entertainment expenses, including maximum amounts and what's allowed

Personal Telephone Use

- The amount of the cell phone bill or percentage that can be reimbursed during the employee's travel period. Include whether calls made for personal reasons will be covered.
- Whether or not theft of or damage to the personal phone is reimbursable during business travel, and if so, the maximum allowable amount.

4. Non-Reimbursable Purchases

Keep a list of the things your company won't reimburse, so people know ahead of time that certain things will come out of pocket at their expense.

Get input for your chief financial officer and the employees who travel most often to determine what's far to exclude across the board.

It should be clear that your business expense policy will only cover travel-related and business-related expenses and nothing else.

Examples include:

- In-flight purchases
- Childcare or pet boarding
- Costs related to non-employee travel
- Laundry and dry cleaning
- Room service
- Damage to personal vehicles
- Airline ticket change fees
- Traffic violations or parking tickets
- Airline club memberships
- Excess baggage fees
- Premium or luxury car rentals
- Rental car insurance coverage
- Minibar or alcoholic beverages

- Online entertainment, movies, newspapers, etc.
- Clothing and toiletries

5. **Expense Reporting and Reimbursement Process**

This section should cover the following:

- The expensing tool to use
- The items that do not need to be added to the expense tool (such as if the trip is booked within the approved booking tool)
- Who to submit reports to
- What to include in the reimbursement requests
- Deadline for request submissions
- Typical processing time for requests
- Policy on personal credit card use

6. **Travel Support, Safety, and Duty of Care**

Your policy needs to be something people want to read. It must include information they need to know to familiarize themselves with.

Your staff wants to stay safe while traveling, so including information about their safety and what to do if an emergency arises is key.

Tracking Whereabouts

Let your employees know that when they book with your approved tools or methods, the trip is tracked, so if there is an emergency, you'll take steps to evacuate them. If you don't know where they are, you can't assist.

Include the approved tool's name, and what they need to do to ensure their trip is tracked if they cannot book within the tool for a valid reason.

Travel Support

Include information about who to call if there are trip changes or cancelations. Provide contact information for the travel support provider, such as email address, phone number, etc.

Emergencies

If an emergency arises, there should be information about who to contact, including your travel insurance policy information. Include employee and vendor contact information for the point of contact in an emergency.

Implementing Your Policy

Customize the template to your needs, and automate it when possible.

This ensures employees will always book within policy guidelines at any given time.

Deploy the policy with employees, and collect feedback.

Make sure your team is clear on the policy and all its details. Ask them about how easy it is to use the approved tools.

Developing and deploying a travel policy is critical for procurement to keep a close eye on corporate travel expenditures. We hope this makes the process easier for you.

What's your goal today?

1. Use PLANERGY to manage purchasing and accounts payable

We've helped save billions of dollars for our clients through better spend management, process automation in purchasing and finance, and reducing financial risks. To discover how we can help grow your business:

- Read our case studies, client success stories, and testimonials.
- Visit our Purchase Order Software page to see how PLANERGY can digitize and automate your purchase order process saving you time and money.
- Learn about us, and our long history of helping companies just like yours.

Book a Live Demo

2. Download our “Indirect Spend Guide”

Download a free copy of our guide to better manage and make savings on your indirect spend. You’ll also be subscribed to our email newsletter and notified about new articles or if have something interesting to share.

download a free copy of our guide

3. Learn best practices for purchasing, finance, and more

Browse hundreds of articles, containing an amazing number of useful tools, techniques, and best practices. Many readers tell us they would have paid consultants for the advice in these articles.

Related Posts