ics Accounting

Limited Company Expenses Guide



Contents

Introduction	3
Travel	3
IR35	4
Meals	5
Accommodation	5
Rental property	5
IT & Computer Costs	6
Business entertainment	6
Staff entertainment	6
Clothing	6
Tools & equipment	7
Telephones	7
Postage & stationery	7
Training	8
Working from home	8
Professional subscriptions	8
Personal incidental expenses	9
Other expenses	9

Introduction

As a director of your own limited company you may incur business related expenses upon which you wish to claim corporation tax relief.

Expenses may be paid for directly from the business account or paid for personally and reclaimed back from the company. Both scenarios result in the same tax relief treatment.

There are a number of common expenses incurred by our clients that you may wish to claim for, in these Expenses Guidelines we include details of the most commonly incurred and queried expenses.

The go-to rule to consider is whether the expenses have been incurred wholly and exclusively in the performance of your trade, if the answer is yes, the likelihood is that the expense will be allowable.

Should you have any queries please don't hesitate to contact your accounts team on 01524 580720

Travel

24 Month Rule

The following assumes that the workplace passes the basic "temporary workplace" test – in other words that it is a qualifying workplace.

The 24 month rule is prospective, and therefore each journey claimed is looked at based on the facts as known at the time the journey is made bearing in mind previous patterns, future expectations and/or reasonable assumptions:

- If your time at the workplace will last less than, or is expected to last less than, or it is reasonable to assume that it will last less than 24 months, the 24 month rule is not broken.
- If the length of time at the workplace is expected to be less than 24 months and then something changes and it is then expected to last more than 24 months then travel & subsistence claims cease from the date of the change.
- If the length of time at the workplace is expected to be more than 24 months and then something changes and it is then expected to last less than 24 months then the claim is allowable as from the date of the change.

The cost of train, bus or air fares for business-related journeys is allowable. Receipts should be retained as HM Revenue & Customs can request to view them.

Mileage

As long as you expect to be at your current place of work for less than 24 months and your assignment is not caught by IR35 then you are able to claim any business mileage for business journeys incurred in your own personal vehicle.

To be considered a “business journey”, it must fulfil these criteria:

- The journey was between business appointments.
- You were travelling to or from a temporary workplace, which is, in brief, somewhere you expect to be working for less than 40% of your time for the next 24 months. (See 24 month rule on page 5)

Travelling from your home to a permanent workplace doesn’t count as business travel, so your employer can’t pay you back for the cost of these journeys

Rates

- Car: 45p per mile to 10,000 miles, 25p thereafter. Resetting each 6th April
- Motor Cycle: 24p
- Bicycle: 20p
- + Passenger: 5p



A mileage log should be retained.

IR35

If you fall within IR35, HMRC will treat you as an employee for tax purposes, which means you cannot claim travel and subsistence expense to and from client sites. Such expense would be seen as ordinary commuting, which is not deductible. Please see our IR35 guide for more details.

Meals

If your travel costs 'qualify' as allowable under the 24 month (temporary workplace) rule, then meals taken during the journey, whilst at your workplace or at your temporary accommodation, including meals out and refreshments with the meal, are all allowable. Receipts must be obtained for meal costs.

Should you wish to claim the flat rate subsistence, un-receipted subsistence expenses may be claimed at the below rates:

- Minimum travel time of 5 hours – £5 maximum meal allowance*
- Minimum travel time of 10 hours – £10 maximum meal allowance*
- Minimum travel time of 15 hours – £25 maximum meal allowance



*Where a meal allowance of £5 or of £10 is paid to an employee/director and the qualifying journey lasts beyond 8pm, a supplementary rate of £10 can be paid

Accommodation

If your travel costs 'qualify' as allowable then the cost of hotel accommodation for nights spent away from home on business may also be claimed, supported by receipts.

Rental Property

The cost of maintaining a rental property is also allowable provided that:

- Use of the property is necessary for business purposes and
- A permanent residence is being maintained elsewhere.

Where a rental property is not used exclusively for business purposes, the proportion of costs relating to the period of private usage is not allowable. In such cases, it

would be necessary to determine the appropriate split of private and business usage and claim only for the business use. Invoices and receipts must be retained.

IT and Computer Costs

Any IT or computer equipment used solely for business use (no personal use) may be claimed as an allowable expense. Receipts must be retained.

Business Entertainment

The cost of entertaining clients is not an allowable expense and therefore cannot be claimed.

Staff Entertainment

The cost of entertaining employees may be allowable for tax relief.

In order for the party to be what HMRC call a “qualifying event“ and therefore not a taxable benefit for your staff, it must meet these three criteria:

- It is an annual event (such as a Christmas party)
- It is open to all staff, and
- It costs less than £150 per guest present

If any of these three conditions aren’t met, then the whole cost of the event becomes a taxable benefit - for example if it’s a one-off meal to celebrate a new contract, or if some employees are excluded, or if the cost per head is over £150.

Clothing

Only the cost of the upkeep, repair and replacement of protective clothing is allowable where the employee’s duties require such items to be worn. This includes the cost of cleaning. Office wear is not allowable. Receipts should be retained for all claims.

Tools and Equipment

The cost of the purchase, upkeep, repair and replacement of tools and equipment is allowable where these items are wholly, necessarily and exclusively used in one's work and supported by receipts – no element of personal use of tools or equipment is allowable for tax purposes.

Whether or not a particular tool or piece of equipment is classed as work related and, therefore, allowable will depend on the particular circumstances of each assignment. Receipts must be retained.

Telephones

Mobile

When purchasing a mobile phone it is much better to purchase a mobile phone / contract in the company name through the company bank account or with the company credit card. Each member of staff may have one mobile phone handset. This is best practice, and ensures that you can claim the maximum in expenses and the company can claim the cost of the whole bill, even if there is an element of personal calls included.

Should the mobile phone / contract be purchased in your personal name you cannot claim the cost of the handset purchase as a company expense. If you take on a phone contract in your personal name, you will not be able to claim the tariff as a business expense either. You can only claim the additional call charges that are business related and you must ensure that all call charges that relate to business are highlighted on the telephone bill in order to make a claim as a business expense.

Landline

Landline phones, unless the contract is in the company name are disallowable.

Postage and Stationery

The cost of stationery, postage, sending and receiving faxes, printing, photocopying and phone calls etc. is an allowable business expense, provided that these are wholly, exclusively and necessarily incurred in the performance of the duties of employment and provided that receipts or other documentary proof is made available. Claims must be supported by receipts.

Training

The cost of an employee's work-related training courses is an allowable expense where supported by a receipt or invoice. This is restricted to genuine training which an employee would NEED to improve or reinforce knowledge and skills which will prove useful to an employee when performing his duties or advancing his career with the company. Invoices and receipts must be retained.

Working From Home



According to its manuals, HMRC will not challenge reasonable claims when there is minor use of home. It seems reasonable therefore to assume that rather than attempt a calculation HMRC will allow at least the same allowance that HMRC allows employees who are homeworking. This amounts to £6 per week.

Should you work from home regularly we can instead prepare a calculation for you based upon your houses running expenses, please do not hesitate to contact your accountant who will be happy to help.

Professional Subscriptions

The costs of subscriptions to organisations of which you are a member can be claimed as tax allowable where membership of the organisation is relevant to your work. Invoices and receipts must be retained.

Personal Incidental Expenses

An employee making a business trip may spend money on such items as private telephone calls, laundry or newspapers. These are not specifically allowable expenses under the normal tax rules as HM Revenue & Customs regards them as personal rather than business expenditure.

However, employees staying overnight while away on business or on allowable work-related training are entitled to claim expenditure of this type by means of Personal Incidental Expenses (PIEs), even though such expenditure would not be allowable in its own right as subsistence.



These expenses are limited to £5 per night in the UK and £10 per night overseas (including Eire) averaged over the number of nights away.

Should you claim PIEs in excess of £5/£10 average, the full amount is taxable. A PIE is not a tax free cash allowance, it can only be claimed where you have actually incurred an expense, for example the cost of a newspaper.

Personal costs incurred while away from home on business, for example the cost of child care, are not allowable.

Other Expenses

All other expenses which you claim through your limited company should have been incurred wholly, exclusively and necessarily in the course of your trade and supporting receipts should be retained for 6 years from the end of the financial year they relate. This means you need to keep all records for 7 years (as it's 6 years plus a year to count for the financial year).

Expenses without receipts, if investigated by HMRC will be disallowed and any tax relief claimed would be due for payment.



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