



Genie Accountancy
Knowledge, Experience, Support



Claiming Business Expenses



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1.0 Introduction

Why this guide is important

One of the most common questions we are asked by our clients is “What can I claim through my company?” Ensuring that your company gets the correct tax relief and you get back what you’ve paid out is important although working out what you can and can’t legitimately claim can be difficult. This guide is written to help you understand the rules and regulations.

What is a legitimate business expense?

Business expenses are the costs you incur whilst performing your business duties. They must be reasonable and must have been incurred “wholly, exclusively and necessarily” in the performance of your work duties for business purposes.

There should always be a reasonable expectation that the expenditure will contribute towards future revenue generation.

A business expense is NOT

1. a private/personal expense
2. ordinary commuting
3. an expense that has not been incurred

A word of warning

HMRC can and do check what’s been claimed and will ask you to provide evidence that the expense that has been incurred, was reasonable (i.e. supported with a receipt) and was a genuine business expense. Each time you claim business expenses you are asked to ensure that you only claim allowable expenses and that you retain the receipts. We will try to ensure that all claims are valid but we will not accept responsibility should any tax or NI charges be levied on you now, or in the future, for expenses disallowed by HMRC. Any underpayment of tax and NI as a result of erroneous claims will therefore result in you being personally responsible for the liability.

How to claim business expenses

Expenses will be reported within your online bookkeeping record and you will need to ensure that you regularly arrange to reimburse yourself the expenses that you have claimed. To make the reimbursement all you need to do is transfer the funds from the business bank account to your personal account and explain the transaction within the system.

You must keep copies of your receipts for your own records for 6 years.

Some basic rules

- You must enter your out of pocket expenses frequently, at least on a monthly basis.
- All expense claims must be for reasonable expenses that you have incurred wholly, exclusively and necessarily in performing your business duties.
- You may be able to claim for expenses incurred prior to incorporation but you will need to talk to us.
- Travel to work and subsistence expenses cannot be claimed when you have worked, or when you know you will work, more than 24 months at one location. See the section on Travel Expenses

Chargeable Expenses

These are expenses that you incur on behalf of your end client and which the end client has agreed to reimburse. The expenses should be recorded as usual within your records but they can be added to your invoice when you create it to ensure that the expenses are recharged to your client.



2.0 Business Travel



Providing you travel to your end client’s sites in order to carry out your engagement, the costs of doing so may be claimed from your company. You should be travelling to a temporary workplace, where you perform a task of limited duration or purpose (known as the 24 month rule).

The most commonly claimed travel expenses are for public transport tickets and mileage in personal cars.

If you use your own vehicle for business travel, a mileage allowance can be claimed from your company to cover the cost of fuel, depreciation, insurance and other running costs associated with the business travel. A record of your business mileage should be retained. The mileage rates applicable are as follows:-

Your vehicle type	For business miles in a tax (starting 6th April)	
	Up to 10,000 miles	Over 10,000 miles
Car / Van	45p / mile	25p / mile
Motorcycle	24p / mile	24p / mile
Bicycle	20p / mile	20p / mile

You must retain original VAT receipts for fuel. Please ensure that you ask for a VAT receipt from the retailer.

You need to provide sufficient fuel receipts to cover the mileage you claim. We accept that it is difficult to exactly match your petrol receipts to the amount claimed. Receipts can cover multiple claims. You must be adequately insured for the business use of your vehicle.

The 24-month rule

Claiming travel expenses to a **temporary** workplace is allowable provided you expect to visit the workplace for less than 24 months. As soon as you **expect** to spend more than 24 months the workplace becomes a permanent workplace and the travel is no longer allowed as it becomes ordinary commuting. The costs for associated expenses; namely subsistence and accommodation, are not allowable once you expect to exceed 24 months at the site.

If you expect to spend more than 24 months at the same workplace please contact us.

Travel costs that are not allowable

- Ordinary commuting and private mileage
- Parking fines, clamping charges and traffic offence fines.
- The direct costs of your own vehicle (e.g. fuel, maintenance, repair, car tax, insurance, depreciation), because these costs are deemed to be included in the HMRC approved mileage rates.

3.0 Subsistence

When working at a temporary workplace lunch can be claimed. Lunch must be in the form of a purchased meal or pre-packed sandwich and cannot merely be a reimbursement of ingredient costs where you have prepared your own lunch.

For each assignment you may claim the actual cost of food and drink purchased. **You must retain original VAT receipts.**

If you are required to stay away overnight for business purposes you may also claim for a breakfast and evening meal.

In addition you may claim a nightly allowance of £5 in the UK and £10 abroad to cover the costs of “personal incidental expenses” such as laundry, private telephone calls and newspapers. **Receipts are not required.** You can only claim these expenses when you claim overnight accommodation.

4.0 Accommodation

If you are required to stay away overnight for business purposes any costs incurred can be claimed from your company and will be allowable against Corporation tax. The accommodation claimed must not relate to your permanent residence in any way and for it to be allowable you should not be accompanied by your family.

As with all claims, the expense incurred should be “wholly and exclusively” for business purposes and there should be no benefit to you. The standard of the accommodation should therefore not exceed that of your primary residence. The price and distance of your accommodation from your home are your decisions but should be reasonable for the circumstances. **Claims considered to be too close to your home may be rejected by HMRC. You must retain original VAT receipts.**



Friends and Family

You can stay with friends or family and claim up to a maximum of £25 per night. The claim must be supported with a covering letter confirming the address and dates on which you stayed. Please ensure the letter is signed by your friend or family member.

5.0 Use of Home as Office

Your home is designated as your permanent place of work and as you will be carrying out your administrative duties from home, you are allowed to claim an allowance for its use. You may claim an allowance of £4 per week for each week you work. Receipts are not required. This is intended solely for use of the actual space, and does not include such other items as stationery etc, which may be claimed separately.

You may claim for general office consumables and stationery incurred while performing your work duties. Items such as stamps, envelopes, pens, pencils, writing pads and ink cartridges can be claimed. **You must retain original VAT receipts.**

6.0 Insurance

When you are operating your own business, you will need to consider whether you need, or are indeed required by your contract, to take out any business insurances such as professional indemnity, public liability, employer liability or business equipment cover. These are all allowable business expenses.

7.0 Accountancy Fees

Corporation tax relief is given for all accountancy fees in relation to the preparation of the company's statutory returns and financial statements, including the original Company Formation fee.

Fees incurred in the preparation of your Self Assessment Tax Return are not a "wholly and exclusive" business expense and therefore should be paid personally. At Genie Accountancy we prepare a basic tax return for all our clients free of charge, where we receive all the necessary data before 31 October following the end of the tax year (subject to which tax year you became a client).

8.0 Mobile Phones

No benefit in kind will be incurred if one mobile phone per employee is provided by your company and the cost of such a phone is an allowable business expense.

To ensure that no benefit in kind is generated the contract for the mobile phone must be between the Limited company and the mobile phone provider. The payment for the phone should go directly from the company bank account.

9.0 Home Phone and Internet

You may claim the full cost of telephone calls for any business calls you make using your home or personal mobile phone. You need to retain **your original itemised telephone bill** highlighting the calls made showing the amount, including VAT, and totalled.

It is possible to claim for an internet connection at your home if the contract is made with your company and payment is made directly from the company bank account. Private use must be insignificant and there should be no separate billing record between you and your business.

10.0 Work related training

You can claim for the cost of training to maintain or up date skills that are perceived to be of benefit in your current assignment or prospective new assignments. Other associated costs such as travel to the training or accommodation costs are also allowable.

You must retain original VAT receipts.

11.0 Business entertaining

If you incur costs entertaining a potential new client or existing client, the costs incurred can be claimed through your company although these expenses are not allowable for Corporation Tax purposes.

Any entertaining should be commercially reasonable and proportionate to the future potential business that is being sought. Even though there is no corporation tax relief it is still worth claiming the expense through the company as the alternative would be for you to pay for this personally out of taxed income. **You must retain original VAT receipts.**

12.0 Annual Event

An annual event is an allowable expense for your company and will not incur a benefit in kind for employees providing the following criteria are met:-

- The total cost must not exceed £150 (inc VAT) per employee. If the cost does exceed this amount the whole amount falls to be treated as a benefit in kind.
- The event has to be open to all staff
- Partners may be invited, but if they are, all staff must be entitled to invite a partner. Invited partners are also given the £150 per head allowance
- The allowance can be split over more than one event in a year but you have to be able to justify that they are genuine annual events, and not just a night out for your employees on an ad hoc basis.
- If multiple events are held the total cost across all events must not exceed the £150 per head

You must retain original VAT receipts.

13.0 Subscriptions

You may claim for subscriptions to professional bodies where the membership is necessary for the performance of your duties and the professional body is included on the HMRC approved list. <http://www.hmrc.gov.uk/list3>. **You must retain original VAT receipts.**

14.0 Childcare Costs

It is possible to make contributions to your childcare costs through your company free of personal tax, whilst saving Corporation tax too. Your company will need to issue a simple letter to your registered childcare provider stating that they agree to pay the fees on your behalf. The amount that can be paid to a registered childcare provider in this way is dependent on your highest rate of tax and personal circumstances, subject to a few overriding rules.

15.0 Pension Contributions

Pension contributions made to your pension plan by your company are allowable for Corporation tax purposes. The contribution has to be for the purpose of the trade and not the benefit of you. Guidance on this is ambiguous but in general if your overall salary and pension does not cause your company to generate a tax loss then the contributions should qualify for tax relief.

There is an annual allowance of £40,000 for 2014/15 which covers both yours and your company's contributions. Whilst Genie Accountancy are not registered to provide Investment advice we can provide you with the details of an Independent Financial Advisor should you wish to discuss this further.

16.0 Eyesight Test

You may claim the cost of an eyesight test where this is necessary for the use of visual display equipment in your work. If spectacles or contact lenses are prescribed you may also claim the full cost. A qualified optician must carry out the eyesight test and the original VAT receipt for the test must be supplied.

Claims for contact lenses and/or spectacles must be supplied with proof from the optician that the expense has been incurred for VDU use whilst working. **You must retain original VAT receipts.**





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