

EXPENSES POLICY

What are business expenses

Genuine business expenses are those that are incurred wholly, exclusively and necessarily in order to perform the duties of an assignment. The benefit of claiming business expenses is the offset your expenses against tax already paid, leading to possible refunds.

New legislation

Two changes effective from April 2016 mean that there are new restrictions on what expenses may be set off against income for tax purposes, and if you incur business expenses, you will need to make a claim to HM Revenue and Customs at the end of the tax year.

The Finance Act 2015 made the first change; the rules will no longer allow salary to varying depending on how much you incur on business expenses in each pay period. The use of so-called 'salary sacrifice' arrangements, or 'payday by payday relief', has been curtailed.

The Government announced the second change in December 2015; the tax and National Insurance contributions (NIC) rules on travel between home and work would be changed with effect from 6 April 2016 for anyone working through an intermediary whose work is supervised.

How do you claim Tax Relief?

If your allowable expenses do not exceed **£2,500**;

You may use the HM Revenue and Customs Form P87, which is available for completion on the HM Revenue and Customs website (go to www.gov.uk and search for P87). You complete the form on screen, then print and post it to HM Revenue and Customs.

You may instead prefer to use the HM Revenue and Customs online tool to submit an online claim, but you will need to register with HM Revenue and Customs for a Government Gateway ID if you do not already have one (the link is on P87 page of the website).

If you're allowable expenses exceed **£2,500**, HM Revenue and Customs will require you to file a self-assessment tax return. As a director you are likely to be asked to file an annual self-assessment return in any case.

In either case you need to keep receipts for any expenditure and detailed and mileage records. These may be on paper or digitally ; there are several free apps online to help you with record-keeping, including allowing you to take an automatically store a photograph of each paper receipt, ticket or invoice.

What are 'business expenses' for tax purposes?

It may seem obvious whether an expense relates to the work you do, but tax and NIC law restricts the type of expense that may be set against your income to reduce your tax bills.

The Main Rule

A genuine business expense for tax and N I C purposes is one that you have to incur to do your job, and that relates only to the job. In technical terms, the costs must be incurred:

1. Wholly
2. Exclusively and
3. Necessarily
4. In the performance of the duties of the employment.

An expense claim must comply with each of these four requirements.

The key test for reclaiming is often whether anyone doing the job would have to spend the money. For example, if you need to make a business telephone call at your own expense, you can reclaim the actual cost tax-free. You cannot reclaim your home and mobile phone rental, though, because that was not a cost incurred in the performance of your duties (unless it is a dedicated business line and you do not use it privately).

Travel and subsistence

If your job requires you to travel to a meeting, conference, training course, except that is not being held at your normal workplace, tax relief may be claimed for the expenses of travel (including meals and hotel bills).

Note this is not the same as being transferred temporarily to another location, which is no longer tax-exempt. The location of the meeting, conference, training course, etc would still be classed as a temporary workplace because you have a base and you are away only briefly.

Claiming your Expenses

- Following the introduction of the new travel and subsistence legislation in April 2016, tax relief on business expenses can only be claimed at the end of your financial year.
- You will need to complete and submit either your annual self-assessment submission or a P87 form to HM Revenue and Customs.
- You can still record your business expenses on a regular basis by sending in completed expenses forms.
- GPS Ltd will provide you with a complete list of all your recorded expenses at the end of the financial year
- Please remember to keep all your receipts throughout the year to support your expenses claim.

Information Required

Before recording your expenses, please ensure you have the following information

- The name of your assignment location (i.e. place of work)

Important note - All claims must have a valid receipt of purchase.

What can be treated as tax-deductible?

Your wage from your company will be subjected to PAYE and NIC deductions, you may claim tax relief is for certain amount for expenses.

The Law gives relief from income tax for expenditure when it is incurred wholly, exclusively and necessarily in the performance of your duties.

The following list provided samples and expenditure which is normally tax-deductible is it complies with the rules outlined above.

1 Stationery, postage and printing costs

Anything you spend wholly, exclusively and necessarily on stationery, postage, printing, printer ink or toner, and on any repairs to equipment that you use only for your work may be eligible for tax relief.

2 Training courses

Work-related training costs are tax-deductible if the training is a requirement of your employment, and there is no element of reward or recreation in the training. This includes the cost of travel and accommodation related to the course and any course materials. No tax relief will be given for the cost of training that is not a requirement of the current job, such as learning new skills necessary to work at a higher grade.

3 Occasional business travel

You may claim for train or bus tickets, or a tax-free mileage allowance is for travelling on business other than to and from a permanent workplace or a place that is treated as permanent for tax purposes. This means business travel to locations other than your regular workplace, such as to attended meetings or training courses-or to deliver something. The relief includes the cost of any hotel rooms and meals if you have to stay away.

If your assignment is for an organisation with two or more sites where you work regularly-any mileage between the sites should be tax-deductible, but travel from home to each of the sites is likely to be seen as ordinary commuting to a permanent workplace, which cannot be claimed. However, if you have one site as your regular base and are require occasionally and irregularly (e.g. not every Wednesday) to spend a day at another site your fares or mileage between home and the other site (i.e. a temporary workplace) should be eligible for tax relief

If you travel by public transport, there is no restrictions to travelling in standard class, and if you incur accommodation costs, there is no requirement to choose the cheapest lodgings; the relief is based on how much you actually spend in doing your job, and the only practical limit is that the amount must be reasonable.

If you are away from your base undertaking business travel you may claim a reasonable amount for a meal, but you must retain evidence of all expenditure on meals.

4 Telephone and Internet

If you use a residential landline or personal mobile phone for business purposes, you can treat the cost of all bill business calls as eligible for relief from tax and NIC. However, you will need to keep an itemised bill with the relevant calls highlighted and totalled. You will not be able to treat the monthly rental as a business expense, and if your business calls fall into your bundled allowance, you will incur no extra expense, so you cannot make a claim. Your broadband contract at home will also not be eligible for tax relief (unless it is used exclusively for business purposes, which is extremely unlikely unless your job is in IT and is home-based).

5 Computers

You could be eligible to claim relief for the cost of software related solely to work use, although this may be difficult to evidence, unless it is a job-specific, you will not be permitted to claim for an annual subscription to generic software for email word processing, etc

6 Professional subscriptions

HM Revenue and Customs publishes a list of approved professional bodies who subscriptions are tax-deductible. Subscriptions to professional journals require for your work should also be allowed.

7 Use of home as office

If you use your home for some element of home-working, and can identify your extra heating, lighting and insurance costs, relief may be available, but HM Revenue and Customs may request evidence of the extra costs.

8 Insurances

The company may pay for your professional in Denver to the insurance-together with its own employer liability and public liability insurance-without the cost being treated as a taxable benefit for you.

Questions

If you have any questions please call **0843 455 5000** and our New Business Team will be happy to answer them.

How to Claim

In order to claim your expenses, you must complete a claim form. The form is in two parts, the first part details mileage claims and the second part is for all other expenses. Expenses forms are available from our New Business Team.

When completing the claim form please ensure the following: Write clearly in ink, complete all details and sign the form on each page you have completed.