

# What expenses can my company receive tax relief for?

Honey Barrett's useful guide to help you understand allowable company expenses.



## What expenses can my company receive tax relief for ?

Generally, your company can pay for anything that is wholly and exclusively for the purpose of the company's trade. Our guide lists the various categories of expenses that workers typically incur and explains when a claim can be made together with the criteria for making a claim.

The costs cannot have a dual personal and business purpose, and all business receipts should be kept as evidence unless otherwise stated.

### What if the company pays for a non-claimable expense in error?

The cost would either need to be repaid to the company or the expenses should be taxed on the employee as a benefit in kind (and reported on a P11d)

If you have any difficulties establishing whether an expense is allowable, then please do not hesitate to get in touch with your Honey Barrett contact.

Please note that this is not an exhaustive list and there may be exemptions or conditions attached to the various costs in our guide. Claims will depend on the specific circumstances of your company.



### Company formation fee

The company can pay for the company formation fee although there is no corporation tax relief available.

### A note on temporary workplaces

A temporary workplace is one where you are unlikely to/do not intend to work at the location for more than 24 months. However if, for example, you accept a contract of less than 2 years and the work is to be undertaken at the same locations on a regular basis then these locations would not be seen as temporary workplaces (HMRC's detailed guidance can be found here: <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim32125>).

### Subsistence

You can claim a reasonable cost for eating and drinking whilst you are travelling to temporary workplaces. If you ever stay overnight at a temporary workplace then you can claim £5 per night for subsistence (£10 if abroad) without having to keep receipts as evidence.

### Accommodation

This must be at a temporary workplace or location to be tax deductible. Or for example, to stay close to a course that is 100% for the purpose of the business. The cost must be reasonable.



## Commuting

Travelling from home to a permanent workplace or between permanent workplaces is seen as commuting and therefore associated costs cannot be claimed.

## Travel: motor

You can claim for travel between temporary workplaces (45p per mile up to 10,000 miles and 25p thereafter). You should keep a mileage log to back up your business mileage

## Travel: public transport

You can claim any travel between temporary workplaces and for trips which are wholly and exclusively for the purpose of the business (e.g. visiting a client's site).



# What if the company purchases a car or van?

Before purchasing a company car or van please consult with your tax adviser to ensure this is tax efficient. If the company does own a car or a van then the following can be claimed in the company:

- All vehicle running costs (MOT, servicing, repairs, insurance, vehicle tax)
- Fuel – but you would need to reimburse the cost for any fuel for personal use otherwise there could be tax charges on you personally.
- A qualifying van would receive 100% tax relief on the cost.
- A car would receive tax deductions but spread over a longer period of time, depending on the carbon dioxide emissions it produces



### Mobile phone

The company can provide each employee/director with a phone but the contract (and bills) should be in the company's name and paid for by the company, for the company to obtain tax relief. If you claim for costs relating to the purchase of a personal phone or reimburse a phone bill relating to a personal phone then there will be benefit in kind consequences.



### Broadband

You cannot claim for home broadband if there is significant personal use and/or the broadband was in place prior to needing it for the purpose of the business. Away from the home, broadband can be claimed where the contract is between the company and the provider, the bills are paid by the company, and the private use is not significant.



### Training

Training costs incurred to develop the skill-set of employees can be claimed with no personal tax charge.





### Entertaining clients

This can be claimed in the company, if it is a business-related event which would most likely generate more revenue, but is not tax deductible.



### Accountancy costs

The company is legally required to prepare annual company accounts and corporation tax returns and so the associated accountancy fees are tax deductible. However, the costs incurred in preparing your personal tax return cannot be claimed in the company as these relate to you personally.



### Staff entertainment

Tax relief on annual events not exceeding £150+VAT per employee/director in total per year. Annual events should be open to all staff members.

The company can also provide employees with trivial benefits costing less than £50, up to a maximum of £300 for the year.

The rules as to what the company can pay for in terms of trivial benefits are quite specific but may include meals to celebrate special occasions, buying Christmas presents (should not be cash or vouchers), or flowers for special occasions.



### Protective clothing

If the clothing meets HMRC's definition of genuinely protective clothing or uniforms then you can claim these costs in the company – otherwise they would be a reportable benefit in kind which should be avoided. So, if you buy protective overalls for work, that should be okay but shirts, suit and smart shoes should not be paid for or reclaimed from the company (there is no 'safe level' that can be claimed).

# Use of home or home office

There are two options for claiming use of home.

1) We can provide a template for you to complete, to claim a proportion of your actual home running costs from the company where you work from home.

2) The simpler option is to claim the flat rate allowance of £6 per week (£312 for the year).

You can only claim items such as desks, chairs, curtains, printers, carpets, light fittings, lamps, rugs etc, if they are used solely by the business.

Therefore, a printer may be claimable but carpets and light fittings should not be claimed where your office is in the home (whereas if you rent or own an office away from the home things such as carpets and light fittings are likely to be claimable).







## Childcare costs

The company can provide a contribution to childcare in two ways:

- 1) By direct agreement with the childcare provider to purchase childcare for the employee
- 2) Via the voucher scheme (although this scheme is no longer open to new applicants)

The payments should be below HMRC's exempt amounts, and there are other criteria that will need to be met.

Alternatively, the employee can sign up for the 'tax-free childcare scheme'.

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