

Are you claiming all you can?



Often when you tell people you are an Accountant they ask how you can save them tax. As the highest rate of 'tax' charged now applies to employment income where including National Insurance deductions from income it can be 62%. So if you can claim for a tax free expense against your employment it can be exceedingly worthwhile and reduce what you pay to HM Revenue & Customs (HMRC).

Mileage

How much does your employer pay you for using your own car for business trips? From practical experience the rates span from 10p up to 65p per mile. HMRC will allow you to claim 45p per mile for the first 10,000 business miles in each tax year and 25p thereafter.

If your employer does not pay you this rate you can claim the excess as a valid business expense and obtain tax relief. For a higher rate taxpayer paid 15p per mile and doing 15,000 business miles per year this will create a tax refund of £1,400.

Clothing & laundry

If you are in the sort of occupation where you have a uniform or have protective equipment then allowances can be claimed. The cost of the purchase of the uniform and laundry on the uniform can be tax deductible. HMRC provide fixed rate allowances for various occupations, for example £140 per year for Police Officers for this purpose.

Loans

From April 2014 an employer can lend an employee an interest free loan of up to £10,000 without any adverse tax consequences. If the loan exceeds £10,000 then either interest needs to be charged at 3.25% or a taxable benefit arises on the employee for that interest they have not had to pay.

Car parking

An employer can pay for employee's car parking near the office for them, tax and national insurance free. Given this, if employees are incurring parking costs personally, it is worth considering the employer paying these sums on their behalf and if necessary undertaking a salary substitution arrangement where a similar amount of their salary is foregone in return for this tax free benefit.

Mobile phone

An employer can provide one mobile phone per employee free from tax or national insurance. This cost includes not only the cost of the handset but also the ongoing contract costs.

Travel & Subsistence rates

Meals when you are working away from home follow the treatment of the travel costs. For example if the cost of staying in the hotel is wholly business related and necessary for the better performance of the employees role then the cost of the meals will also be deductible. Even if you stay overnight at a friend's house when working away from home the cost of an evening meal is still tax deductible.

Working from home

If you work from home then the additional costs in connection with working from home at those times will be tax deductible. These can be calculated as either a proportion of the utility bills that relate to the time that you are working or alternatively HMRC allow £10 per month if you work at least 25 hours per month, increasing to £26 per month if you work 101 or more hours per month.

Professional fees & subscriptions

Tax relief is available for professional fees and subscriptions you have paid which are required as part of your employment.

Entertaining - be careful

There is no such thing as a free lunch for tax purposes. Client or intermediary entertaining is not taxable on the employee who takes the client to lunch or an event. However the expense is not tax deductible for the employer.

The converse applies for staff entertaining. So taking your staff out for a birthday meal if paid by the company is tax deductible for the company, but each of the individuals to whom food is purchased is potentially in receipt of a taxable benefit. However there are ways of avoiding the tax charge. Please note where food is provided as part of a training course for staff a taxable benefit is unlikely to arise on the employees.



Andrew Diver

Conclusion

Given the level of tax at stake for getting expenses policies and procedures incorrect, this is an area HMRC regularly undertakes visits and compliance reviews.

If you are unsure of whether your systems would be safe from HMRC attack, and are using all of the available tax reliefs, please do not hesitate to get in touch with us.

Events and news

Tuesday 15 July

Bookkeeping & Financial Control Course
 Run by one of our Management Accountants,
 Haidee Everson, at Kesgrave Conference Centre,
 Ipswich, IP5 1JF

Time: 9.30am – 12.30pm. Cost £25.00
 Go to www.menta.org.uk to book a place

'Beatons Bag on Tour' Competition

Go to our website for more details
www.beatons.co.uk



Beatons Group
 01394 279692
info@beatons.co.uk