Orange Genie Freelancer Services Limited

GUIDANCE FOR CLAIMING

BUSINESS EXPENSES

Claiming Business Expenses

Why this document is important

In carrying out assignments for your company you will incur legitimate business expenses which you are allowed to claim as an allowance against tax. Getting back what you've paid out is important although working out what you can and can't legitimately claim can be difficult. This document 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.
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 on 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.

Claiming Business Expenses

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.

Business expenses in detail

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 £3 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. If you wish to claim any other amounts you should discuss this with us.

Travel expenses

You can claim travel expenses when you have to attend a temporary workplace (or when you travel between temporary workplaces) in order to carry out your employment duties. Travel expenses include the actual cost of travel and the related subsistence expenditure.

If overnight stays are required as part of your travel, you can claim the cost of the accommodation, the cost of any necessary meals and an allowance for personal incidental expenses.

All travel to client sites, for assignments under 24 months, are allowable as business travel (this includes interviews for temporary assignments.)

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.

Claiming Business Expenses

You can make travel expense claims for the following:

Mileage rates

For use of your own vehicle are as follows:

Your vehicle type	For business miles in a tax year (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.

Vehicle hire

Cost of hire and actual cost of fuel. **You must retain original VAT receipts**.

Air/Rail/Bus/Ferry/Taxi

The standard and price of travel is your decision. We recommend that you use the lowest cost method of transport available. Excess baggage charges are allowable only if you need to carry substantial business materials**. You must retain original VAT receipts.**

Other associated costs

- Congestion charges
- Parking charges
- Tolls
- Travel Insurance

You must retain original VAT receipts.

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.

Subsistence (meals and refreshments)

'Subsistence' means food and drink incurred as part of your business travel when you work more than 5 miles from your permanent work place or if it unreasonable for you to travel home at lunchtime. For each assignment you may claim the **actual** cost of food and drink purchased. **You must retain original VAT receipts.**

Please keep a separate record of subsistence expenditure for 6 years.

Accommodation

'Accommodation' means a hotel, bed & breakfast or self catered accommodation at or near a temporary workplace. The standard, 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**. **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.

Personal Incidental Expenses

If staying in overnight accommodation for business purposes 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.

Other expenses you may claim include:

Business entertaining

Business entertaining expenses are allowable if the entertainment is directly related to the active conduct of your work and is a business meal or event in a place conducive to a business discussion. The people entertained must have a relationship to your work. Details must be noted on the expense claim of the names, positions and companies of each person, and the business reason for the entertainment. **You must retain original VAT receipts**.

Annual party or similar functions

You may claim the cost of an annual party or similar function, such as a dinner, provided the cost does not exceed £150 per employee. The £150 claim can be split during a tax year but at no point can the total sum exceed £150. **You must retain original VAT receipts**.

Business telephone calls (home, mobile)

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. You may claim for installation and line rental (includes broadband) of a separate dedicated business line, provided it is ***only*** used for business purposes. **You must retain original VAT receipts.** Otherwise, you may not claim for private calls, equipment, or line rental.

Alternatively you can arrange for a mobile phone contract to be taken out in the name of the Company and no personal benefit will be incurred. The company will pay the monthly bill including private usage and no benefit in kind will be incurred. This concession **does not** relate to PDA's such as Blackberry's and IPhones. The provision of these phones will attract a personal benefit in kind unless personal use is insignificant.

General office expenses

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.**

Protective work clothing

You may claim for the cost of uniforms and genuinely protective clothing that are worn as a matter of physical necessity because of the nature of the job and where you must bear the cost. This will typically cover items such as hard hats, protective gloves and boots. No deduction can be permitted for the cost of upkeep, replacement and repair of ordinary clothing. **You must retain original VAT receipts**.

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.**

Business Equipment

Business equipment can be purchased for the company as long as it is "wholly and exclusively "needed for the business. Please contact us on 0845 055 7055 for more details.

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**.

Work-related training

You can claim for the cost of training to maintain up to date skills that are relevant to your current assignment or prospective new assignments that are relevant to your work.

You must obtain our approval for the expenditure **before** you incur the cost. **You must retain original VAT receipts**. Please note, travel expenses can be claimed alongside the cost of the training course.

Accountancy Fees

You can claim all accountancy fees in relation to the company, including the original Company Formation fee.

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.

Childcare Costs

It is possible to make contributions to your childcare costs through your company free of personal tax, whilst saving Corporation tax too. 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. Please contact your us on 0845 055 7055.

Pension Contributions

You can invest part of your turnover into a Company Pension scheme saving Corporation Tax whilst saving for your future. You are not limited when making a Company contribution to your level of salary and for 2011/12 can invest up to £50,000. We can provide you with the details of an Independent Financial Advisor should you wish to discuss this further.