

## Expenses Guide – Limited Company

### What expenses can I claim as a contractor working through my own Limited Company?

If you're a contractor working through your own Limited Company and are outside IR35 then life is very simple. HM Revenue and Customs rules state that expenses can be claimed provided they are wholly and exclusively for the purposes of your business.

This means you can claim things like: Company formation fees, Accountancy fees, Business travel and Accommodation, Postage, Stationery, Telephone calls, Employer's N.I. contributions, Salaries, Subscriptions, Insurance, Contributions to an executive pension plan, Business entertainment etc.

#### A brief summary of allowable expenses

This is not a comprehensive list of expenditure however it includes the most common expenses that can be reclaimed.

- Company formation expenses
- Accountancy fees
- Business traveling expenses (obeying the two year rule)
- Postage for business purposes
- Stationery for business purposes
- Telephone calls for business purposes
- Mobile telephone and calls for business purposes
- Salaries paid by the Company to the Contractor and Contractor's spouse for work done
- Employers NI Contributions
- Contributions to an Executive pension plan
- Business entertainment
- Equipment purchased for business purposes
- Either a mileage allowance or the costs of running a car (if car owned by Company, a benefit in kind charge arises on the Contractor)
- Computer software
- Technical books and journals
- Subscriptions (in most cases)
- Use of home office
- Company bank charges and interest
- Christmas Party allowance - limited to a maximum of £150 per employee

### Do I need to keep my receipts?

Although your accountant does not need to see your receipts, we would advise that you hold onto any that you make claims for as an expense. We would advise that you keep your receipts for a minimum of six years as the Revenue; if they do decide to investigate they can go back as far as six years.

## What is and what isn't a valid Business Expense?

- **Meal Allowance:** You can claim actual meal costs whilst you are working at a remote site, away from your normal place of work, or when staying away from home overnight, but daily, round sum claims for meals are not permitted.
- **Travel:** You can claim the cost of travel to and from your temporary place of work. Mileage rates are 45p per mile for the first 10,000 miles, in any fiscal year, and then 25p per mile thereafter. This allowance is to cover fuel and running costs of the vehicle. If you are traveling to work as a passenger in a car you are entitled to claim 5p per mile.
- You can also claim for parking and the congestion charges but you may not claim for parking fines or speeding fines. The cost of travel by public transport can be claimed but you must have a valid receipt. A mileage allowance can also be claimed for travel by motorcycle and bicycle at rates of 24p per mile and 20p per mile respectively.
- **Accommodation:** The cost of hotel or bed and breakfast accommodation can be claimed as an expense, as can the reasonable cost of additional meals taken in conjunction with overnight accommodation. There are no set allowances for accommodation but the cost must be deemed to be 'reasonable'; this also applies to the cost of meals.
- **Clothing:** You cannot claim for ordinary clothing which would form part of an 'every day' wardrobe even if you would not be likely to wear your working clothes anywhere other than at work.
- **Training:** Providing the training course is wholly and totally relevant to the performance of your duties under your existing contract.

## What if I'm inside IR35, what expenses can I claim?

If your contract is caught by IR35 then the only expenses claimable are: administration expenses which are fixed at 5% of your contract income, travel and accommodation expenses, pension contributions and certain professional subscriptions. You should, however, still record and receipt all business expenses.

## What does HMRC say?

In relation to expenses, if you are outside IR35, HMRC quote that you can claim back anything that is "wholly and exclusively necessary" to carry out the day to day running of your business.

HM Revenue and Customs have produced a comprehensive 100 page downloadable pdf called: '2007 Expenses and benefits - A tax guide'.



### A word of caution

Remember you cannot claim for something you didn't actually pay for in the first place, or can't provide evidence that you did.

You will be personally liable for any underpaid taxes NOT the company you're working through or taking advice from.

You should therefore steer clear of companies and scheme providers promoting generous expense allowances with 'NO' receipts required.