

Potential Self Employed Expenses Adjustment

The following documentation is provided as guidance only and outlines the typical expenses that it is possible to claim in relation to your annual income and tax liability.

For those not familiar with the offsetting of expenses against tax: It is possible to reduce your tax liability as a self-employed worker by allocating part of your remuneration as expense income as opposed to earned income.

Unlike other payment solutions the allocation of expenses from income is only done once a year when you submit your tax return to HMRC.

It is possible for you to do your own tax return, however, we strongly advise you to seek professional help when submitting your annual return. Whilst Maddison Group will provide a summary of transactions each year, we do not include tax submission as part of the standard service. Maddison Group have 3rd Party suppliers who can support you (for a fee) in the submission process.

So long as you follow HMRC guidelines and rules this can result in a reduction of personal PAYE and NI payments for the trading period in question.

Please note: This process is effectively a reallocation of "your" self employed income. This means that whilst you may be able claim offset for the items you will not be entitled to claim them as expenses from your clients unless specifically agreed in writing, in advance.

General Guidance

- Always get a receipt - if you can't prove the expense it will be disallowed.
- Where possible ensure the receipt is a VAT receipt.

All Expenses:

- Must be necessary for you to perform your duties.
- Must be incurred wholly and exclusively in the performance of your duties.
- Please take note of the words "Wholly" and "Exclusively".
- These words mean that none of the amount claimed should include any personal use benefit.
- It should also be noted that HMRC will also reject any claims where the majority of the purpose or cost is of a personal nature.

E.g. If you were going to visit your Aunt and on the way decided to visit a client that trip is deemed as personal and not business as the main purpose was to visit your aunt.

E.g. If you were to travel to visit a client and decided to spend the weekend in that district then HMRC will reject any travel or subsistence claims as the visit was predominantly personal.

HMRC are very strict on the expenses they will allow against tax and may at their discretion decide that some or all of them may be disallowed.

Above all – Be sensible.

If HMRC find you are making spurious claims you will be investigated. As a result they will then investigate your whole personal income - they have access to bank accounts etc.

This Document is Provided for Guidance Only.

As a self-employed individual it is your responsibility to provide HMRC with appropriate documentation to support any expense items that you wish to claim against your annual tax bill.

Neither Maddison Group or its officers will accept any liability for any claims, actions or consequences as a result of following any of these guidance notes.

Those wishing to claim additional offsets against their tax liabilities should seek appropriate financial advice at the time of preparation and submission.

Expenses Guidance

As self-employed the rules are slightly different to those for "Employees". Outlined below are the typical types of expenses which we believe will be accepted for submission.

Note: Expenses are offset against your self employed income in order to reduce your overall tax liability. Expenses are not payable on top of your self employed income.

Expenses are used to reduce the overall tax liability. Offset of expenses will, at standard rates of tax, typically create a 29% tax saving. These savings are subject to each individual's personal revenues and tax position. Therefore, this figure should only be used as guidance.

Tools, Safety Equipment and Clothing Expenses.

For all purchases you will need to obtain a vat invoice / receipt which clearly identifies the supplier of the goods and the description. All items must be of an industrial nature and are solely for use in your day-to-day work.

Typical items you can claim for are:

- Safety Spectacles (See separate section on spectacles).
- Specialist Tools
- Fluorescent Jackets
- Safety Harnesses
- Overalls (protective)
- Steel toe-cap boots
- Other safety wear.

You **CAN NOT** claim for general work clothes – anything that could be worn for any other purpose than business – so you cannot claim for jeans / t-shirts, suits etc.

Day Subsistence / Meals

Where required to work away from your normal place of work then the cost of meals, snacks and beverages are allowable when accompanied by relevant receipts. Subsistence with no accompanying receipts is not allowed.

Accommodation

Any accommodation costs of staying away from home as a result of business activities can be claimed subject to appropriate receipts. I.e. Invoices/Receipts should be on headed paper and preferably with a VAT registration number on it.

Laundry

You can only claim cleaning costs for workwear (this does not include general clothes or suits). Receipts are required. We would also suggest only 1 or 2 items per week and costs below £2.00 per week.

Household Costs

If you use a room in your house as a "home office" it may be possible to claim certain household costs (a proportion of). Again we suggest seeking specialist advice if you intend claiming costs of this nature.

Telephone Calls

Both personal mobile and home phone bills. The cost of genuine business calls only. These must be supported by the original telephone bill. This does not include pay as you go calls. Phone rental and line connection charges are not claimable.

Subscriptions

Membership fees for professional bodies. (Formal receipt required).

Course / Exam Fees

Allowable as long as they relate specifically to your trade or profession and are supported by appropriate receipts.

Books

Allowable as long as they relate to your trade or profession and are supported by appropriate receipts. Please note that magazines / periodicals are not allowed.

Medical Tests

Where relating to your work. This includes, for e.g. eye tests and drug and alcohol testing costs.

Medical Costs

The cost of providing medical treatment for those travelling abroad on business purposes is allowable. This does not include your BUPA membership.

Currency Exchange Costs

For those travelling abroad on business the receipted cost of currency conversion is allowable.

Spectacles (not Safety Spectacles)

Are only allowable where they are necessary for VDU usage only. Where spectacles are required for general usage but include a special prescription for VDU usage then only part of the cost will be allowable. Sunglasses are not allowable.

Stamps, stationery and Small Items of Office Equipment

Allowable with a receipt.

Professional Fees

If you have to seek advice on a business matter related to your work – must be a receipted expense and the advice must not be of a personal nature. This can include any costs you pay towards an accountant to prepare your annual return.

Driving Licence Renewal

Fees payable on the renewal of a licence in relation to large goods vehicles or other specialist vehicles (excluding car or motorcycle) shall be allowable.

Hire or Purchase of Specific Tools or Equipment.

Items that are necessary for the performance of the duties.

Travel by Car, Motorbike or Bicycle

All mileage should be recorded under the government approved mileage allowance payment scheme (AMAP's).

Expenses relating to your specific business travel in order to fulfil contracts are allowable against tax.

For all travel claims you must record – destination, travel date, reason for travel and details of where you went from and to.

Record the mileage travelled and based upon the chart below.

Note: These rates are dictated by HMRC and can be subject to change at any time.

Mileage Allowance (AMAP)		
Engine Capacity (CC)	Rate per mile: 1st 10,000 miles / pa	Rate per mile: 10,000 + miles / pa
All Cars	45p	25p
Bicycle	20p	20p
Motorbike / Moped	24p	24p

Other Motoring Expenses

If you claim expenses under the mileage rate scheme above you CAN NOT claim any more motoring costs – that is the maximum you are allowed.

There is an alternative where instead of the rates above you can claim capital allowances and actual costs of the vehicle in proportion to the split between business and private mileage – however this is quite complicated and we suggest you enlist the help of an accountant to do this.

We may be able to provide support on this at a later date through an associated company – but it will be a chargeable services due to the complexity and time consuming nature of the process. For simplicity we recommend using the AMAP's system above.

For Travel by Plane, Train, Taxi, Tram, Bus etc.

You will need to retain the original tickets/receipts.

Cost of travel is for the relevant self employed worker only. Non business personal costs will be disallowed.

Note: this means that you cannot claim for relatives, wives, partners, friends etc

We hope you find this guide useful and would welcome any feedback on its content.

Contact

Address: 5th Floor
Edgbaston House,
3 Duchess Place
Birmingham
B16 8NH

Phone: 0870 043 3797

Fax: 0845 052 9320

Email: contractor@maddisongroup.co.uk

Web: www.maddisongroup.co.uk