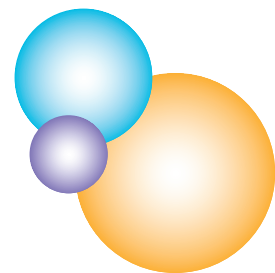


Step-by-step Guide

A Guide to Ltd Company Expenses



wellers
contractors

Ltd Company Expenses

If you work as an employee in the UK, you have probably never had to claim an expense 'for tax purposes' in your life, as almost nothing you spend as an employee is allowed to reduce your income tax bill.

However, as a self-employed Director of your own Limited Company, there are certain items that if you purchase them 'wholly and exclusively' for the business that you are allowed to claim.

You don't actually get to claim the money back, what actually happens is that your taxable income is reduced by the amount of the allowable expense.

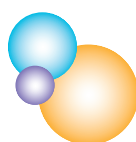
Example - if you spend £1,000 on travel (details of allowable travel later), the company's taxable income is reduced by that £1,000 and it thereby saves the amount of tax that you would have paid on it, which this year is 21% (Corporation tax Rate to 31 March 2010), thereby saving you £210.

Being able to claim expenses is not the be all and end all of having a Limited Company, but where allowable, can make a significant difference in your take home pay.

Examples of Allowable Expenses

This is not an exhaustive list of allowable expenses for tax purposes. However it includes the most common expenses that can be reclaimed.

- **Accountancy fees**
- **Business travelling expenses (obeying the two year rule)**
- **Postage for business purposes**
- **Stationery for business purposes**
- **Telephone calls for business purposes**
- **Mobile telephone and calls**
- **Salaries paid by the Company to the Contractors and any other employees for work done**
- **Employers NI Contributions**
- **Contributions to an Executive pensions plan**
- **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 if there some exclusive business use demanded**
- **Company bank charges and interest**
- **Christmas Party allowance - limited to a maximum of £150 per employee**



Do I need to keep my receipts?

Although Wellers Contractors 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, 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 40p 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 travelling 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 at 24p per mile and 20p per mile respectively.

Accommodation

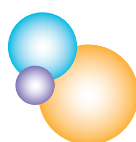
The cost of hotel or bed and breakfast accommodation can be claimed as an expense, as can the reasonable cost of additional meals taken in conjunction with overnight accommodation. There are no set allowances for accommodation but the cost must be deemed to be 'reasonable'; this also applies to the cost 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 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.

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.

Wellers Contractors would urge caution in this area. Realistic expenses claims supported by receipts will make life a lot easier for all Contractors and encourage a positive relationship with H.M Revenue & Customs - always a good thing

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If any of this is guide is not clear in any way please do not hesitate to contact us. The office here is open from 9am until 7pm so please feel free to call anytime. Alternatively we can arrange a time to give you a call or make an appointment to meet and discuss your requirements.

Telephone 020 7901 1190 or contact us online at www.wellerscontractors.co.uk

