

Expense Entitlements - Umbrella workers

What am I entitled to claim?

Umbrella workers are entitled to claim for a variety of allowable expenses provided they are deemed wholly and exclusively necessary to the performance of their duties. Allowable expenses include:

- ▲ Mileage
- ▲ Travel costs
- ▲ Overnight accommodation and subsistence
- ▲ Meal allowances
- ▲ Business telephone calls
- ▲ Eye tests
- ▲ Professional subscriptions
- ▲ Tools and protective clothing
- ▲ Pension contributions (to HMRC approved schemes)

Umbrella workers may find it difficult to clarify the position of allowable and non allowable expenses. Some important areas include:

Mileage

Mileage costs incurred wholly and exclusively necessary in the course of business are tax deductible. There is no reimbursement however for home to work costs.

The mileage involved in travelling to and from client sites or temporary workplaces can be claimed but this is subject to the HMRC 24 month rule. HMRC declares that “a workplace is not a temporary workplace if the employee can expect to work there in a continuous period of work lasting 24 months or more.”

Also, HMRC states that “a workplace is not a temporary workplace if the employee can expect to work there in a continuous period of working lasting for all or almost all of the likely duration of the employment.”

Where contractors use their own cars for business travel, they are able to reclaim fuel and running costs at a rate of £0.45p per mile for the first 10,000 miles and £0.25p per mile for all other miles, per tax year.

When submitting claims for business mileage, original VAT receipts (to support petrol/diesel costs) to the value of £13.00 for every 100 miles claimed must be presented with an expense form.

Motorcyclists can claim £0.24p per mile, and Cyclists £0.20p per mile. Car passengers are able to claim £0.05p per mile.

Travel costs

Expense claims can be made against air, train, bus, taxi and sea going travel fares incurred in the course of performing work.

Road tolls, parking costs and congestion charges can also be claimed. It is not permitted to make claims for speeding fines, fixed penalties or parking tickets.

All claims must be supported by original receipts.

Overnight accommodation / subsistence

The cost of being away from home while on business is tax deductible but all costs must be reasonable. Original receipts must be kept to support expense claims.

Note: Expensive claims in respect of hotels (e.g. 5 star accommodation) and meals may be challenged by HMRC and will incur a benefit in kind charge if they are deemed to be unreasonable.

Overnight allowances for incidental expenses are also allowed to be claimed during stays away from home. A £10.00 per night allowance is applicable for overseas stays and £5.00 per night is applicable for all UK stays. No receipts are necessary for overnight allowance claims.

Miscellaneous meal allowances

Meal costs incurred while working away from a normal place of work are a tax deductible expense. Meal costs must be reasonable and original receipts must support expense claims.

Daily round sum meal allowances are not applicable.

Business telephone calls

Claims can be submitted to cover the cost of business calls made from landlines and/or mobile telephones. No claims are allowed in respect of line rental charges.

An original telephone bill must be presented to substantiate call costs.

Eye tests

An annual claim can be submitted to cover an eye test. However, this allowance can only be claimed by individuals required to work at computer screens for extended periods.

An original receipt from a qualified Optician must support expense claims.

Professional subscriptions

The cost of joining or re-joining (HMRC approved) professional institutes / associations can be claimed as an allowable business expense.

Original receipts must be presented to substantiate subscription costs.

Training

Costs are allowed to be claimed only if the training course is necessary for the worker to be able to continue to his/her services to a client company.

Original receipts must be presented to substantiate training costs.

Tools & protective clothing

The cost of purchasing tools and protective clothing is an allowable expense providing they are solely for use at work. Claims can also be made for the laundering of protective clothing.

Original receipts must be presented to support the purchase of tools and protective clothing.

No claims can be made for conventional items of clothing.

Pension contributions (HMRC approved schemes)

Tax relief can also be achieved by making gross pension contributions made into HMRC approved schemes.

Notes

Receipts

Receipts must be presented with all expenses claims to provide evidence of costs incurred.

For mileage claims, Umbrella workers should submit a minimum £13.00 receipt for every 100 miles they claim.

Re-chargeable expenses

An expense incurred at the request of the agency or client can be re-charged. Examples of re-chargeable expenses might include travel, hotel or meal costs, paid out to attend meetings on behalf of a client.

An Umbrella company will invoice for re-chargeable expenses on behalf of workers providing there is a signed client / agency expense form and original receipts to support the claim.