

DGH

Financials

Limited

Expenses Guide

How do expenses work?

There are two types of expenses applicable to contractors, chargeable and non-chargeable. Chargeable expenses are costs that you have incurred that the client has agreed to repay you via your agency and umbrella company. Any chargeable expenses you have need to be authorised by the client and need to feature on an invoice from us to your agency. Many clients have their own expense policies and forms to use so please ask your line manager and agency contact when claiming them.

Non – chargeable expenses, also known as tax deductible expenses, are incurred as a direct result of the contract. These expenses can be deducted from income before calculating your tax and national insurance liabilities and are therefore paid to you tax free. These expenses need to be entered onto an expense form and sent to DGH Financials when sending your timesheet so they can be processed together.

Please be aware that before travel and subsistence expenses will be allowable as a deduction against tax, the place of work must qualify as a temporary workplace. If you only work on a single assignment, without the anticipation that there will be further assignments, your workplace will be regarded as permanent and therefore not allowable against tax.

Please see our pay slip breakdown for a demonstration of how expenses reduce your tax liabilities.

Receipts

HMRC dictate that receipts to support expense claims must be kept up to six years after the expense was incurred. If HMRC decide to investigate your expense claims and you do not have supporting receipts you could be prosecuted for tax evasion. DGH Financials is more than happy to keep receipts on your behalf as we have an archiving system however please note that if HMRC do decide to investigate that it will be your responsibility to provide evidence for your claims.

Important Information

Please note that DGH Financials will check all expense claims and may question your claims if they seem incorrect or disallowed by HMRC. It is important to remember that expenses are not a way of avoiding tax and misuse of the expenses system could lead to prosecution.

If you have any queries about your expenses then please do not hesitate to call us on 01444 251100 to discuss them.

Claimable Expenses

Travel

For tax and national insurance purposes an allowable business journey is one for which there is a genuine business reason for purpose, but cannot be ordinary commuting between your home and a permanent workplace.

Allowable business journeys are those between places you have to visit in the performance of your duties. Journeys between locations that are defined as being permanent or temporary workplaces are normally allowable.

Mileage

If you travel direct from your home to a temporary workplace (and/or return) the mileage you can claim is the total distance travelled provided your journey is not “substantially similar to ordinary commuting”. Broadly, a temporary workplace must be at least ten miles away from your permanent workplace for the journey to qualify as a business journey.

If you are working away from your permanent workplace, or if you are based at customer sites, you may claim your journeys between home and the site as business travel only if it is expected that you will visit any particular site for less than 24 months, and in fact do so. As soon as you expect to spend more than 24 months at any one site you must contact your personal account manager for further guidance.

| Type of Vehicle | First 10,000 business miles in the tax year | Each business mile over 10,000 in the tax year |
|------------------------|----------------------------------------------------|-------------------------------------------------------|
| Cars and vans | 45p | 25p |
| Motor cycles | 24p | 24p |
| Bicycles | 20p | 20p |

A log of business journeys must be kept in order to support your claim but receipts for fuel are not required.

Fares

You may claim the cost of travel to and from your client site by public transport if this is your preferred method of travel. Tickets should be retained where receipts are not available.

Parking

Receipts must be obtained for off-street parking and a record should be kept of parking meter payments.

Subsistence

Travelling expenses may include the cost of subsistence to the extent that it is necessary for the travel. The amounts below can be claimed in place of receipted claims by employees required to work away from their normal workplace for a period of over ten hours or who are required to stay away from home overnight on company business.

| Location | Breakfast* | Lunch | Dinner* |
|-----------------|-------------------|--------------|----------------|
| London | £6.00 | £7.00 | £11.00 |
| Elsewhere | £5.00 | £6.00 | £10.00 |

*Breakfast expenditure can only be claimed for employees who leave home before 7.30am.

*Dinner expenditure can only be claimed for employees still at temporary workplace at 6.30pm.

Accommodation

You may claim for hotels and other accommodation at/near a temporary workplace, but never near a permanent workplace. You may stay in standard single occupancy rooms in a reasonable quality hotel, typically a three star hotel. Should a stay in a more upmarket hotel be necessary, only the amounts given below may be claimed. You may also claim an allowance for the cost of accommodation and meals when staying with friends and family. Further details are given below.

| Allowance | Location | Amount |
|----------------------------|---------------------|---------------|
| Bed & Breakfast | London | £95.00 |
| Other Meals Allowance | London | £18.00 |
| Bed & Breakfast | Elsewhere in the UK | £75.00 |
| Other Meals Allowance | Elsewhere in the UK | £16.00 |
| Friends & Family Allowance | Anywhere | £25.00 |

Personal Incidental Expenses

If you do have to stay overnight due to work you are entitled to an allowance for certain personal expenses - £5.00 per night in the UK and £10.00 per night abroad. This includes dry cleaning, laundry, private telephone calls, alcoholic drinks, newspapers and films.

Rented Accommodation

The cost of rented accommodation (including utilities, excluding water rates) can be claimed provided that you maintain and continue to pay for a main residence elsewhere in the UK to which you return each weekend. A copy of the rental agreement or receipts for rent must be provided to DGH Financials Ltd.

If you maintain a separate main residence elsewhere but do not return to it each weekend you may claim up to five-sevenths of the cost of the rented accommodation. If you do not have a main residence elsewhere in the UK then none of the cost of the rented accommodation can be claimed.

Relocation

Relocation can only be claimed if you are required to change your main place of residence to take up a contract. The maximum claim cannot exceed £8,000 and covers any number of moves necessary before a permanent residence is found.

Claims can cover:

1. Temporary accommodation, before permanent accommodation is found.
2. Subsistence whilst in temporary accommodation for you and your family.
3. Travel only for the move between temporary and permanent accommodation.
4. Transportation of domestic belongings including packing, unpacking, temporary storage, dismantling and fitting.
5. Domestic goods for your new home covering only items where the same article from the old home is not suitable for the new home or where the cost of transportation is greater than the cost of replacement.
6. Agency commissions and legal fees connected with the purchase of your new home and sale of your old home.
7. The cost of temporary bridging finance

24 Month Rule

Employees based at a single site throughout their contracting career or expecting to remain at a single site for more than 24 months may not claim "normal" home to office travel.

If you are travelling from home to your contract then this is subject to the '24 month rule'. This states that travel from home to work is only allowable as a tax-deductible expense for as long as you believe your contract will not exceed 24 months.

As soon as you know that a contract will be your last, no further site-based expenses can be claimed (from the time that you become aware).