

GUIDE

EXPENSES HANDBOOK



For over 20 years, we have been the preferred supplier for some of the UK's largest recruitment agencies.

**OUR COMPLIANCE, ACCREDITATION,
AND EXPERIENCE MAKE US AN IDEAL
CHOICE FOR CONTRACTORS**



INTRODUCTION

Welcome to SmartWork, and thank you for choosing us as your flexible employer. This Expenses Handbook is your complete guide to understanding what expenses you can claim, how to claim them, and what rules apply.

Our expenses policy follows guidelines set by HM Revenue and Customs (HMRC) and is fully compliant with current legislation and FCSA standards. Our goal is simple: to make sure you never suffer unnecessary financial loss while working through us, and that all available tax relief is claimed on your behalf.

Important: HMRC requires that SmartWork, as your umbrella company, correctly verifies all expenses. The agency cannot do this on our behalf. You must be able to provide us with receipts and evidence for all claims. If HMRC successfully challenges an expense claim, the liability rests with SmartWork — so we take verification seriously.

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0800 434 6446
info@smartwork.com

TYPES OF EXPENSES

There are three main categories of expenses you may be able to claim through SmartWork:

- 1. Reimbursed Expenses** — Costs paid by you during your assignment, pre-agreed with your end client, and reimbursed tax-free, subject to HMRC verification.
- 3. Mileage and Travel Expenses** — Business travel costs, claimable depending on your SDC status and the nature of your journeys.
- 2. Tax Relief Expenses** — Claimed at year-end via a P87 form or Self-Assessment. Only available if your contract is not subject to SDC.

SUPERVISION, DIRECTION AND CONTROL (SDC)

The most important factor in determining what you can claim is whether your contract is subject to Supervision, Direction and Control, known as SDC.

Since 6 April 2016, umbrella employees can no longer offset their full range of expenses if they are working under SDC, or if the right of SDC exists, even if it is not exercised in practice.

When you first join SmartWork, you will automatically be considered as working under SDC. To determine your status, you will need to complete our [SDC Questionnaire](#). Our compliance team will review your employment documentation and, if necessary, seek written confirmation from your end client.

If your contract falls within IR35, SDC automatically applies, and you will not be able to claim any expenses through SmartWork.

Definitions:

Supervision (S): Someone oversees your work to ensure it is done correctly and to the required standard. This can also include helping you develop your skills.

Direction (D): Someone instructs you on how your work must be done, providing guidance or advice and coordinating how tasks are carried out.

Control (C): Someone dictates what work you do and how you do it, including the power to move you from one task or role to another.

REIMBURSED EXPENSES

Reimbursed expenses are costs you pay during your assignment, with the expectation that your end client or agency will pay them back. These amounts are passed on to SmartWork alongside your working hours and paid out to you.

Reimbursed expenses are only claimable where this has been pre-agreed with your end client. SmartWork cannot process expenses solely for tax relief purposes.

Can They Be Paid Tax-Free?

It is a common misconception that expenses reimbursed through an agency and umbrella company are automatically tax-free. This is not always the case.

For SmartWork to pay a reimbursed expense free of tax and National Insurance, we are required by HMRC and the FCSA to verify that the expense is genuine, allowable, and supported by clear, dated VAT receipts.

What Cannot Be Reimbursed Tax-Free?

Commuting expenses (your regular travel between home and your usual place of work) cannot be paid tax-free. If a travel expense is found to be regular commuting, it will be processed alongside your salary with PAYE tax applied.

A journey is likely to be considered commuting if it involves:

- A fixed, regular workplace visited on a recurring basis
- A location where your employer exercises control or supervision over your work
- Travel that forms your normal routine to start and end your working day

To qualify for tax-free reimbursement, a journey must be extraordinary or for a temporary purpose, not a routine commute.

What Can Be Reimbursed?

Typical allowable reimbursed expenses include:

- Travel costs for genuine business trips (not regular commuting)
- Meals during work-related meetings
- Ad hoc one-off costs such as stationery or postage for business use

How to submit Reimbursed Expenses

To submit a reimbursed expense, use the [Reimbursed Expense Form](#) available in our [Knowledge Base](#), or you can claim them through the SmartPortal with your timesheet submission.

Our payroll team will review all claims. Any deemed to be regular commuting or non-extraordinary journeys will become taxable. For more information, contact invoicing@smartwork.com.

MILEAGE AND TRAVEL EXPENSES

How you claim mileage depends on the type of journey and your SDC status. There are three possible outcomes, and it is important to understand which applies to your situation before submitting a claim.

Journey Type	How It Is Treated
Extraordinary or one-off business journey, pre-agreed with your end client	Reimbursed expense — processed tax-free through payroll (subject to verification)
Site-to-site travel for Multi-Site Workers	Reimbursed expense — processed tax-free through payroll via the Site-to-Site Expenses Form
Mobile mileage to multiple temporary sites (not subject to SDC)	Year-end claim only — claimed from HMRC via P87 or Self-Assessment, not through payroll
Regular commuting to a fixed workplace	Not claimable tax-free — treated as taxable income even if the client reimburses it

If you are unsure which category applies to your journeys, please get in touch with invoicing@smartwork.com before submitting a claim.

HMRC Approved Mileage Rates

The following rates apply to all claimable mileage, regardless of how it is claimed. These rates cover both fuel costs and wear and tear on your vehicle.

Vehicle Type	First 10,000 miles	10,001 miles +
Car	45p per mile	25p per mile
Motorcycle	24p per mile	24p per mile
Bicycle	20p per mile	20p per mile

Rules for All Mileage Claims

Regardless of which category your mileage falls into, the following rules apply:

- You must be the registered owner of the vehicle, which must have a valid MOT, be fully taxed and insured.
- Enter the exact 'To' and 'From' postcodes. Claims will be rejected if postcodes cannot be verified on the AA or RAC database.
- The travel must be wholly and exclusively for business purposes relating to your end client.
- Do not bulk up claims. Submit a separate line item for each journey.
- Journey dates must match the dates on your timesheet. Mismatched dates will result in rejected claims.
- For payroll-processed claims, submit weekly via the [SmartWork mileage claim form](#), with fuel receipts emailed as scans.

Without a completed claim form and accompanying receipts, any mileage reimbursed by the agency will automatically be treated as income and taxed.

Multi-Site Workers

A Multi-Site Worker is someone who travels between several work locations during their working day as part of their role. If this applies to you:

- You cannot claim commuting costs (home to your first site, or your last site back home).
- You can claim mileage for travel between sites during your working day, and Tax and NI relief is available.

You must submit the [SmartWork Site-to-Site Expenses Form](#) for all such claims. For full details, please refer to our [Multi-Site Workers Travel and Mileage Policy guide](#).

Public Transport

If you travel by public transport as part of your working role, keep your receipts — claims cannot be considered without supporting evidence. Allowable expenses include travel by train, Underground, bus, or taxi.

Parking and Congestion Charges

Parking fees and congestion charges are claimable as business expenses, supported by receipts.

Travel Insurance

If your assignment requires you to work abroad, you must maintain the appropriate level of travel insurance cover. This cost can be claimed as a business expense when supported by receipts. Contact your business manager for a list of compliant travel insurance providers.

YEAR-END CLAIMABLE (TAX-REDUCING) EXPENSES

Tax relief expenses are no longer automatically claimable due to changes in HMRC regulations. SmartWork does not process tax relief expenses via payroll.

However, if your contract is not subject to SDC, you may still be able to claim tax relief directly from HMRC at the end of the tax year.

How to Claim

- If your expenses are under £2,500, submit a P87 form to HMRC.
- If your expenses exceed £2,500, submit a claim via a Self-Assessment tax return.

Note: When claiming relief from HMRC, you only receive relief on the PAYE element; there is no National Insurance relief. Please click on [this link](#) for HMRC guidance on how to complete a P87.

Recording Expenses Throughout the Year

Even though tax relief expenses are claimed at year-end, we recommend recording them regularly (we created a [form](#) you can use for free). Failure to do so may result in you missing out on the tax relief available.

Receipt Requirements

You must keep all original receipts to support your claim. Every receipt must clearly show:

- Date of purchase
- Amount paid
- Company name
- VAT number, if applicable
- Description of goods or services purchased

Receipts should be retained for at least six years, as HMRC reserves the right to audit any claim at any time.

The following expense types can be claimed at year-end rather than through payroll and are available to workers who are not subject to SDC.

Subsistence

You can offset the cost of food and drink purchased during your working day, subject to the following scale rate allowances:

Meal	Amount	When Claimable
Breakfast	£5	Purchased before 6:00am and at least 90 minutes before your working role commences.
1st Meal	£5	If you work at least 5 hours that day, including travel time.
2nd Meal	£10	If you work at least 10 hours that day, including travel time.
3rd Meal	£15	If you work past 8:00pm and beyond your agreed contracted hours.

Alcohol is not an allowable subsistence expense.

Only pre-packaged food purchased on the day of work is claimable, and only after your qualifying journey has commenced. You cannot claim for food bought in bulk or on days not worked. Retain proof of purchase in case of a random HMRC audit.

Accommodation

If you rent a property specifically for an assignment because it is more cost-effective than a hotel, you can claim costs for rent, council tax, and electricity. To claim rental costs, retain a copy of your full rental agreement, which must include:

- Start and expiry date of the tenancy
- Full property address
- Contact details, full name, and signature of the landlord

If rental costs are shared with others, you can only claim your personal share. If you are already claiming rent as an expense, you cannot claim other accommodation costs unless they are directly related to your working role.

Hotel Costs

You can claim hotel accommodation costs when working temporarily away from home. Send a copy of your VAT receipt with your claim form.

Eye Tests and Glasses

HMRC only allows expenses wholly, necessarily, and exclusively for business purposes. If you wear your glasses or contact lenses outside of work, they are considered dual-purpose and are not claimable. A dedicated pair of glasses used only for work would be claimable; a general-purpose pair would not.

Telephone

Only the business element of your phone costs can be claimed. You must provide an itemised bill that clearly identifies the nature of each business call. Line rental or the base cost of your personal mobile contract is not allowable.

Professional Subscriptions

Annual subscriptions to HMRC-approved professional bodies are allowable. You must provide SmartWork with details of the subscription. A full list of approved bodies is available at www.hmrc.gov.uk/list3/index.htm. If you leave within six months of the expenditure, a pro-rata deduction will be applied to your final payment.

Training and Tuition

Before committing to any training or tuition costs, please speak with your business manager to confirm whether the expense will be allowable. Associated costs during training — such as travel, overnight stays, and subsistence — can also be claimed. If you leave SmartWork within six months, a pro-rated deduction will apply.

Protective Clothing, Tools and Specialist Equipment

The cost of tools, protective clothing, or specialist equipment essential to your role can be claimed as a business expense. Everyday work attire and standard office clothing are not allowable.

Office Stationery and Postage

Stationery and postage costs are allowable where purchased for business purposes and not supplied by your end client. Keep receipts to support your claim.

Business Entertainment

Business entertainment expenses can be offset in exceptional circumstances. Please speak with your business manager before incurring these costs to confirm what is allowable and how to process the claim.

IMPORTANT RULES AND COMPLIANCE

The Fundamental Rule

The overriding principle for any business expense claim is that the expense must have been incurred wholly, exclusively, and necessarily in the performance of your employment duties. If an expense does not meet this test, it is not allowable.

The 24-Month Rule

A temporary workplace is one where you work irregularly and for less than 24 months. Once you become aware that your contract will exceed 24 months at the same location, you must stop claiming travel and subsistence expenses for that site.

The 40% Rule is linked to this: if you spend more than 40% of your working time at a single location, it is treated as a permanent workplace and travel expenses relating to it cannot be claimed. This applies even with gaps in employment between periods at the same site.

HMRC Spot Checks

As a fully compliant umbrella company, SmartWork cooperates with HMRC expense spot checks. If you are selected, you will need to provide evidence and proof of purchase for the relevant period. Failure to do so may affect your ability to claim expenses through our dispensation.

If any employee is found to be fraudulently claiming or tampering with expenses, disciplinary action will be taken.

RECEIPTS AND RECORD KEEPING

You must always retain receipts for any costs you intend to claim. Receipts should be kept for at least six years following the financial year in which the expense was incurred, as HMRC reserves the right to audit any claim at any time.

If you are investigated by HMRC and cannot produce supporting receipts or evidence, you may be required to repay any tax owed and could potentially face tax evasion charges. Keeping thorough records protects you.

All receipts must clearly show:

- Date of purchase
- Amount paid
- Company name
- VAT number, if applicable
- Description of goods or services purchased

Copies of receipts must be provided to SmartWork along with your expenses claim. If any required details are missing from a receipt, please document them separately and submit alongside the receipt.

USEFUL CONTACTS

If you have any questions about your expenses, please do not hesitate to contact our team.

Contact	Details
General Enquiries	enquiries@smartwork.com
Timesheets and Expenses	invoicing@smartwork.com
Contracts and Legal Documents	contracts@smartwork.com
Holiday Requests	holidays@smartwork.com
Telephone	0800 434 6446 0117 311 9800
Address	Whitefriars, Lewins Mead, Bristol, BS1 2NT