smartwork

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



Whitefriars, Lewins Mead, Bristol, BS1 2NT, Tel: 0117 311 9800, 0800 434 6446

smartwork

INTRODUCTION

We are delighted that you have chosen SmartWork as your flexible employer, and we look forward to supporting and guiding you through your contracting career.

The SmartWork Expenses Handbook is a comprehensive guide to what can be claimed as a legitimate business expense. The expenses policy follows guidelines set out by Her Majesty's Revenue and Customs (HMRC) and fully complies with current legislation. Our company policy is designed specifically to prevent our employees from suffering any financial loss during the course of their duties, and all tax relief available is claimed.

HMRC requires that the Umbrella has correctly verified the expenses; the Agency cannot do this on their behalf. The worker must be able to provide the Umbrella with the receipts and evidence required. This is separate from any verification that the Agency may undertake. If HMRC successfully challenges the expense claim, the liability is with the Umbrella.

CONTENTS

1 - Introduction
2 - Supervision, Direction & Control (SDC)
3 - Vehicles & Mileage
5 - Year-end Expenses Claims
10 - Receipts
10 - The 24-month Rule
11 - P87 Form
11 - Useful contacts

0800 434 6446
info@smartwork.com

The fundamental rule for claiming a business expense is that the expense is incurred by you wholly, exclusively and necessarily in the performance of your employment duties. You are also able to send in your expenses by post, if preferred to the following address:

SmartWork.com Ltd, Whitefriars, Lewins Mead, Bristol, BS1 2NT

*SmartWork cannot be held liable for damage, loss or theft of any documentation sent in by post. By opting to send in by post, you do so at your own risk.

SUPERVISION, DIRECTION & CONTROL (SDC)

Since the 6th of April 2016, umbrella employees are no longer able to offset their full range of expenses if they are under supervision, direction or control (SDC) or the right of.

When you join an umbrella company such as SmartWork, you will automatically be considered working under SDC. To determine whether mileage will have tax relief applied to it or not, you will need to fill in our SDC questionnaire.

When you have completed the form, it will be sent to our compliance team to review. This will involve reviewing all employment documentation to ensure the employee is not subject to SDC. In addition, SmartWork will work with the supply chain and request written confirmation from an authorised person at the end client to confirm that they agree with our evaluation if not subject to SDC.

For the purposes of the agency legislation, HMRC considers supervision, direction and control are best defined as follows:

Supervision (S) is someone overseeing a person doing work to ensure that person is doing the work they are required to do, and it is being done correctly to the required standard. Supervision can also involve helping the person where appropriate in order to develop their skills and knowledge.

Direction (D) is someone making a person do his/her work in a certain way by providing them with instructions, guidance or advice as to how the work must be done. Someone providing direction will often coordinate how the work is done as it is being undertaken.

Control (C) is someone dictating what work a person does and how they go about doing that work. It also includes someone having the power to move the person from one job to another.

VEHICLE & MILEAGE RATES

If you are working for multiple clients and can prove that your assignment is not subject to SDC, you can claim the cost of business mileage at the following rates set by HMRC. Claims can also be made if travelling between business sites even if subject to SDC.

Type of vehicle	First 10,000 miles in a tax year	10,001 miles + in a tax year
Car	45p per mile	25p per mile
Motorcycle	24p per mile	24p per mile
Bicycle	20p per mile	20p per mile

*These mileage rates are also to cover for wear and tear of your Vehicle

Payment of a mileage allowance is permitted to cover travel costs incurred by the employee who is required to travel to perform their duties.

You will need to complete a weekly mileage claim via your personal portal. Please post or scan and email your fuel receipts.

Please follow our simple rules to ensure your mileage claim is processed correctly:

- You must be the owner of the vehicle used, and the vehicle must be fully taxed, insured and have a valid MOT certificate.
- Ensure that you enter the 'To' and 'From' postcodes correctly; claims will be rejected if the postcode does not exist on the AA or RAC database.
- The travel must be wholly and exclusively for the business purposes of the end client company.
- Do not 'bulk up' your mileage. We need a line item for each journey, for example, two journeys for each day (one to work and one home from work).
- Ensure that the dates of the journeys claimed to match the dates you've entered on your timesheet, as claims will be rejected if the dates do not match the working days.
- Without a claim form and accompanying receipts, expenses reimbursed by the Agency will automatically form part of your income and be taxed.

MULTI-SITE WORKERS

The solutions available to you will vary depending on which of the following describes how you carry out your work:

- You are under 'SDC' and are not a 'Multi-Site Worker'
- You are a 'Multi-Site Worker'
- You are not under 'SDC'

A 'Multi-Site Worker' is an individual who travels between multiple work locations during their working day to perform their role.

If you are a 'Multi-Site Worker', you cannot claim commuting expenses (home to first site, or last site to home), but you can claim mileage for site-to-site travel during your working day.

The SmartWork Site-to-Site Expenses Form must be submitted for all claims, and Tax and NI relief is available.

For full details, examples, and FAQs, see our **Multi-Site Workers – Travel and Mileage Policy guide**.

YEAR-END EXPENSES CLAIM

The following expenses must be claimed at year-end.

Those deemed not to be working under SDC will be assisted with claiming expenses at the end of the tax year by completing a P87 form or, if the expenses exceed £2,500, by reclaiming the tax relief via a Self-Assessment tax return.

It is important that you continue to submit expenses regularly via the SmartPortal, as failure to do so may result in you not receiving the maximum tax relief available to you.

It is key that you keep a record of all of your receipts to support your claim. All receipts must have the following details clearly legible:

- Date of purchase
- Amount of purchase
- Company name
- VAT number, if applicable
- Description of goods/services provided

If the above items are not found on the receipt, please document the details.

Receipts should be retained for six years; copies of the receipts can be submitted via the SmartPortal.

Congestion charges and parking are claimable when supported by copies of receipts.

PUBLIC TRANSPORT

If travelling by public transport to and from your working role, please ensure you keep your receipts so we can process this - unsupported travel expenses, unfortunately, cannot be considered.

Allowable expenses include fees incurred travelling via **Trains/Tube, Bus or Taxi**.

TRAVEL INSURANCE

When undertaking work abroad, you must maintain the correct level of cover, which will protect you during your working role. This can be used as a business expense when supported with copies of receipts.

If you would like further details of compliant travel insurance providers accepted by SmartWork, please contact your business manager directly.

SUBSISTENCE

You can offset subsistence purchased during your working day; the guidelines for doing so are shown in the table below:

Breakfast	£5	Claimable before 6.00am and purchased 90 minutes before your working role commences
1st Meal	£5	Claimable if you work at least 5 hours per day in your working role
2nd Meal	£10	Claimable if you work at least 10 hours per day in your working role
3rd Meal	£15	Claimable if working over your agreed contracted hours and past 8pm

*Alcohol will not be considered a subsistence expense.
*The above includes travel time.

It is vital that you are honest about the monetary value of your subsistence claims and that the amounts given are accurate.

Only pre-packaged food purchased on a working day is claimable and only if bought after the qualifying journey has commenced. You cannot claim subsistence for days not worked or subsistence purchased in volume for a period of time; food must be purchased on a relevant day it is being claimed for.

Whilst receipts do not need to be posted for scale rate travel claims, you should retain the proof of a cost for your own records or in case you are selected in the random scale rate expenses audit.

HM REVENUE AND CUSTOMS SPOT CHECKS

As a compliant umbrella company that works harmoniously with HM Revenue and Customs (HMRC) guidelines, we proactively participate in employee expense spot checks. If you are chosen during a spot check, you will be required to provide information/proof of purchase for the relevant period selected. If you cannot do so, this will affect your ability to use our dispensation.

To avoid disappointment, please ensure that the original receipts for your subsistence claims are kept in a safe place should they be requested.

If any employees are found to be fraudulently claiming or falsely tampering with expenses, disciplinary action will be enforced against the individual.

ACCOMMODATION

If you rent a property during and only for any assignment, as it is more cost-effective than a hotel, you can claim the associated costs relating to Rent, Council tax and electricity.

To claim for the rental costs of temporary accommodation, we recommend that you keep a copy of your full rental agreement, which must contain the following documentation:

- Start date and expiry date
- Full address
- Contact details of Landlord/Supplier
- Full name and signature of Landlord/Supplier

If the rental costs are being distributed among others, or you have other names on your rental agreement, you can only claim for the costs you personally incur, not the full amount. If you are claiming rent as a tax-reducing expense, you are unable to claim any other accommodation expenses unless they are in direct relation to your working role.

HOTEL

You can claim accommodation costs when working temporarily away from home. A copy of the receipt should be uploaded to the SmartPortal to keep on file for your records (ideally a VAT receipt).

EYE TEST AND GLASSES

HMRC only allows expenses deemed wholly, necessarily, and exclusively incurred in performing your business duties. Generally speaking, if you wear your glasses or contacts outside the work environment, they are technically considered dual-purpose.

For example, you may have one pair of glasses you keep just for work (claimable) and another for home, watching TV (not claimable).

TELEPHONE

The cost of a mobile or landline telephone must be highlighted on an itemised telephone bill and state the nature of the call to substantiate the claim. Line rental or mobile contract is not allowable as it is your personal responsibility to pay this (only the purely business element of any bills can be claimed).

PROFESSIONAL SUBSCRIPTIONS

Annual subscriptions paid to certain approved professional bodies are allowable; however, we must receive details. For a complete list of HMRC's approved subscriptions, please visit: **www.hmrc.gov.uk/list3/index.htm**

If you leave within six months of the expenditure, we will process a pro rata deduction on your final payment.

TRAINING AND TUITION

Before commencing training or tuition, please contact your business manager to confirm if it will be an allowable expense. Whilst on the training course, you can claim associated costs, such as overnight stays, travel, and subsistence.

If you leave within 6 months of the expenditure, we will apply a prorated deduction to your final payment.

PROTECTIVE CLOTHING, TOOLS AND SPECIALIST EQUIPMENT

The cost of providing tools, protective clothing, or specialist equipment essential to your business duties can be claimed as a business expense. Daily work attire and office clothing will not be considered allowable.

OFFICE STATIONERY

The cost of stationery or postage incurred is allowable where it was purchased for business purposes (provided the end client did not supply it). Again, we recommend you keep the receipts for your records to support the claim.

BUSINESS ENTERTAINMENT

In exceptional circumstances, we can offset business entertainment expenses; however, certain details must be collated before we can process this. Before processing this expense, please liaise with your business manager, who will advise on best practices and on what is allowable to avoid disappointment.

RE-BILLABLE EXPENSES

A billable expense you incur on your client's behalf when you perform work for them and is paid to an umbrella company by the end client as an addition to the normal labour.

These expenses need to be submitted to us along with supporting claim forms/receipts, and SmartWork will raise an invoice for the amount.

The agency/client will usually verify these expenses with the appropriate sources and remit the amount.

The claimed expenses are then reimbursed on top of the weekly or monthly salary, tax-free, provided they meet the criteria outlined in the handbook.

RECEIPTS

You should always retain receipts for any costs you intend to claim. These should be kept for at least six years following the financial year, as HMRC reserves the right to audit any cost claim at any time. Most umbrella firms will require receipts.

If you are investigated and cannot produce receipts or other evidence of your expenses, you may be asked to repay any tax owed. You may even face tax evasion charges; therefore, it's worth retaining all records to prevent paying too much tax or incurring the consequences of claiming unjustified expenses.

THE 24-MONTH RULE

A temporary workplace is one where you work irregularly and for less than 24 months. When you become aware that your contract will exceed 24 months, you must cease claiming your travel expenses to and from your temporary workplace. The 24-month rule applies to subsistence as it does to mileage claims.

The 40% rule is linked to the 24-month rule. This states that if you spend over 40% of your time at a particular workplace, it is considered permanent, and therefore you cannot claim travel expenses in relation to this location. This still applies if you have gaps in employment and return to the same place of work.

CLAIM VIA P87 FORM / SELF-ASSESSMENT

You may need to claim tax relief on most expenses at the end of the tax year by submitting a Form P87 to HMRC if the expenses are less than £2,500 or submitting the claim via the Self-Assessment process. When claiming relief from HMRC, you only receive relief on the PAYE element; there is no relief on national insurance.

USEFUL CONTACTS

Telephone: 0800 434 6446 / 0117 311 9800

Email:

info@smartwork.com - For service information

invoicing@smartwork.com - To submit timesheets/expenses

compliance@smartwork.com - To submit contracts, schedules, and other legal documentation

holidays@smartwork.com - To make a holiday request