

AISMA Guide to...



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CLAIMING FOR PERSONAL EXPENSES

Foreword

Whether you're a partner in a GP practice, a locum doctor or a salaried GP, it's important to get to grips with the rules around claiming a tax deduction for expenses relating to the business, which you've paid for personally.

Self-employed (GP and non-GP) partners and self-employed locum doctors can claim for expenses incurred "wholly and exclusively" for the purposes of the business. Any reimbursement made towards these payments needs to be taken into account, to leave only the net cost incurred.

Employed doctors, such as salaried GPs, can also claim personal expenses against tax. However, as well as these needing to be "wholly and exclusively" for the purposes of the business, there are further restrictions under the tax legislation with the use of the additional phrase "necessarily". This means that you are required to incur such costs in order to carry out the duties connected with your salaried role.



Playing by the rules

Working out which expenses can be claimed can be confusing, particularly in the case of items with both a personal and business element.

How do you reasonably determine the business element?

It's important to play by the rules, since if HMRC suspects claims have been made for inappropriate items or that a business use percentage is too high, this could lead to an enquiry being opened into a tax return. This could lead to additional tax, interest and penalties, with the possibility of HMRC raking back over the records for the previous six years.

“All business-related expenses paid personally must be fully justifiable and capable of being supported by appropriate documentary evidence”

Provided you are careful about record keeping and adopt a reasonable approach to claiming for personal expenses, the likelihood of this should be reduced.

How do I claim tax relief for personal expenses?

Keep a note of all items incurred “wholly and exclusively” in connection with your business activities. The easiest way to do this is to maintain a running record throughout the tax year, noting everything down under various headings.

All business-related expenses paid personally must be fully justifiable and capable of being supported by appropriate documentary evidence. This is most important should HMRC

seek to challenge anything.

In the case of a partner in a GP practice, guidance on what can be claimed is usually given by the practice accountants by way of a tax return questionnaire. This should prompt the individual partner to provide details of various items which could be claimed if incurred personally.

These expenses are then deducted against tax via the partnership tax return, in which each partner's personal expenses claim is allocated against their share of taxable income.

In the case of an individual who is not a partner but is solely self employed or salaried, the items can be deducted as an expense within their personal tax return.

What can I claim?

Typical costs that you might have had to pay for yourself (and not had reimbursed) might include:

- medical bag and/or small items of equipment such as a stethoscope, otoscope or sphygmomanometer
- some professional subscriptions, for example British Medical Association, Faculty of Sexual and Reproductive Healthcare, Royal College of GPs and so on. Others, such as your GMC registration and professional indemnity cover are also claimable but are often paid for by the practice
- course/conference fees
- medical journals
- taxi/train fares to courses or meetings
- stationery
- telephone calls/messages*
- wifi costs*
- laptop/personal computer and related items*

• Many items, such as those listed with an asterix, will include an element of personal use, so it's important to only claim for the business use. There are no agreed percentages for this but the amount claimed should be reasonable and, wherever possible, supported by evidence. Inevitably, proving your business use as a percentage of total use is often estimated.

Car expenses

Whereas a tax deduction for business use of a car is permitted, note that HMRC regards travelling to your regular place of work as commuting. This means the cost of your daily drive into the surgery will not be tax deductible.

Typical allowable journeys would be visits to patients, meetings and courses.

It's essential to keep a record, for a typical month or two, of your business miles (excluding commuting) and total miles. This will establish a business use percentage for the year, calculated as business miles/total miles, which can then be applied to all your car running costs, such as petrol, servicing/repairs, MOT and insurance.

Alternatively, once you have your typical monthly business miles figure, you could claim HMRC's agreed rate of 45p per business mile for the tax year (ie x 12 months). If, in the unlikely event that annual business mileage is in excess of 10,000 miles, the current 45p rate per mile drops to 25p per mile for the additional miles.

HMRC also permits tax relief for the cost of a car through the claiming of capital allowances, similar to a "depreciation allowance", spread over a number of years unless the car is electric, in which case the tax relief is awarded more quickly.

The rates vary according to the car's CO2 emissions, with more fuel-hungry cars having lower rates than those with lower CO2 emissions. Capital allowances are also restricted to business



EXAMPLE

Based on business miles during a typical month

YEAR 1

Business miles/month	100
Total miles/month	500
Car purchase cost (CO2 emissions of over 50g/km)	£20,000
Capital allowance 6% (HMRC rate for CO2 emissions of over 50g/km)	(£1,200)
Written down value at end of year 1	£18,800
Capital allowance to claim for business use only £1,200 x 100/500	£240

YEAR 2

Business miles/month	150
Total miles/month	600
Written down value at start of year	£18,800
Capital allowance 6% (HMRC rate for CO2 emissions of over 50g/km)	(£1,128)
Written down value at end of year 2	£17,672
Capital allowance to claim for business use only £1,128 x 150/600	£282

NOTE: There are no set business use percentages such as a flat 75%, 50% or "the same as last year". Business use percentages are calculated according to actual business use and will almost certainly vary from year to year.

Similar calculations apply, with varying capital allowance writing down percentages, for other assets purchased for use in the business, such as computers.

use only, so the business use percentage calculated above needs to be applied here too.

However, please note that if claiming car expenses under HMRC's 45p x business miles method, capital allowances are not claimable as the 45p is deemed to allow for an element of the purchase price of the car.

Car finance arrangements

If you acquire a car using some form of finance, you should be able to claim the interest element of the payments you make each month, but again subject to a restriction to business use only.

However, tax relief on the actual purchase cost of the car itself via capital allowances or rental cost will depend on the type of finance you have taken out. Again, this is restricted to business use only and takes into account the CO2 emission of the car.

You should always liaise with your AISMA accountant to work out what you can claim.

Use of home

If you carry out work at home it is possible to claim a tax deduction for use of your home.

There are two ways of doing this: **See Method 1 & 2 below.**

METHOD 1	
HMRC offers a simplified expenses method if you are self-employed and work 25 hours or more a month from home. This allows you to claim a modest monthly deduction against taxable income, without the need for detailed documentation, as follows:	
Hours of business use per month	Flat rate per month
25 to 50	£10
51 to 100	£18
101 or more	£26
METHOD 2	
You may be able to claim a proportion of a number of household costs if you are self-employed and work from home. HMRC current guidance states these could include:	
• Heating • Electricity • Council tax • Mortgage interest or rent	

As before, it is important to adopt a reasonable approach, attempting to claim only the amount relating to the business hours you work from home.

A typical method is taking the number of

rooms you use for business as a proportion of the total number of rooms, but also further restricting the amount claimed to the amount of time you actually spend working from home.

Bear in mind that if you are in the surgery for much of the week, there are only so many days in a week and hours in a day when you can be working from home.

Keep your invoices in support of any claim.

Conclusion

An example of a typical personal expenses questionnaire, issued by an accountant, is set out in Appendix A. Please note that the items listed are not to be treated as exhaustive or guaranteed.

If you are solely salaried, you may not be required to prepare a tax return. If this is the case, the easiest way to obtain tax relief for items incurred “wholly, exclusively and necessarily” in carrying out your business role is to call HMRC each year and ask them to allow for your expenses in your annual tax code for PAYE purposes.

If you are in any doubt as to what to claim or how to make a claim for personal expenses, please get in touch with your AISMA accountant who will be able to provide assistance.



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EXPENSES

Applicable if self-employed, a member of a partnership or where necessarily incurred as part of your employment, and such expenditure is not reimbursed by the employer.

Home Expenses

Do you use your house for business purposes?

e.g. reading, receiving telephone calls, administration, seeing patients at home, writing, emails, internet research etc.

Method 1

A flat rate is allowed by HMRC without the need for supporting documentation.

Tick this box if you wish to claim under this method. ☐

How many hours a month do you spend working from home? Please tick the relevant range – these are HMRC's ranges / rates.

☒ 25-50 hours per month	£10 per month	☐
☒ 51-100 hours per month	£18 per month	☐
☒ 101 or more hours per month	£26 per month	☐

Method 2

To claim potentially higher amounts, HMRC require details of:

a) Household bills details for the year (council tax, heat, light, insurance). Do not include capital expenditure.

b) Details of office space – total house space (usually total number of rooms).

Household costs	£
Total	

Total number of all rooms in house

How many days a week do you use the room(s) for business?

Your business % use of office (allowing for personal use and use by other family members)?

Continued >>

Car Expenses

Do you use your car for business purposes, such as visiting patients, out of hours attendance, attending courses etc? NB: routine travel from home to the surgery, unless on an out of hours call, is usually classed as commuting and unlikely to be allowed business mileage.

Please complete the following:

CAR 1

Make of car	
Model of car	
Age of car	
Engine size	
BOTH THESE MILEAGE FIGURES ARE REQUIRED:	
One month's business mileage – with documentary evidence	(miles)
<i>and</i>	
One month's total mileage (i.e. business and personal) – with documentary evidence	(miles)

A LOG IS NEEDED TO SUBSTANTIATE YOUR CLAIM.

CAR 2

Make of car	
Model of car	
Age of car	
Engine size	
BOTH THESE MILEAGE FIGURES ARE REQUIRED:	
One month's business mileage – with documentary evidence	(miles)
<i>and</i>	
One month's total mileage (i.e. business and personal) – with documentary evidence	(miles)

A LOG IS NEEDED TO SUBSTANTIATE YOUR CLAIM.

Change of car

If you bought a new car or sold your old car during the year, please give details and preferably a copy of the relevant documentation for:

Proceeds / part exchange figure for old car	£
Cost of new car + details of model and engine size	£
CO2 emissions level (necessary for capital allowances rate)	

Continued >>

Car running costs

(excluding parking or speeding fines, and clamping fines which are not tax deductible)

	CAR 1 £	CAR 1 £
Total petrol costs for the year		
Total servicing and MOT costs for the year		
Parts		
Car Tax		
Insurance		
AA / RAC membership		
HP interest / repayments (please provide a copy of the agreement)		
Car loan – please specify terms, interest rate, repayments, and an interest certificate from the lender. NB: A proportion of the interest paid may be deductible. Capital repayments are not allowed.		

Telephone Expenses

Do you use your telephone for business purposes?

If yes, please keep records for one month, for business calls and total calls made.

Documentary evidence such as itemised bills to validate your claim may be required by HMRC

	MOBILE		LANDLINE	
	No of calls made	Cost of calls made £	No of calls made	Cost of calls made £
One month's business calls				
One month's total calls				
Total telephone bills for the year (excluding rental)	£		£	

Professional Expenses / Subscriptions

Paid personally (or treated as drawings if paid through the practice):

NB: DO NOT INCLUDE IF PAID BY THE PRACTICE AND RECORDED AS A PRACTICE EXPENSE

Subscription to: (all subscriptions claimed have to be directly related to and essential for your work)	£
BMA - if paid by you, not the practice	
MDU / MPS - if paid by you, not the practice	
GMC - if paid by you, not the practice	
RCGP - if paid by you, not the practice	
Other-please provide details	

Continued >>

Stationery, Travel, Courses, Equipment Expenses

Paid personally. These must be wholly and exclusively for the purposes of your profession (and “necessarily” if employed).

Invoices must be available in support of your claim in the event of any enquiry. NB: Items such as clothes, glasses etc are NOT claimable.

Description	£
Stationery	
Books / journals – please give details of all items purchased	
Travel and taxis – please give details	
Course expenses (NB: only if paid personally) – please provide details. Foreign courses may not be eligible or claimable in full, although the educational element should be allowable as a deduction. Please provide details for all courses.	
Others – please provide details and invoices / proof of payment	

Equipment

Have you *personally* purchased any equipment in the year which you have had to buy for your job?

Please provide supporting invoices and details, along with your best estimate of business use thereof:

Description of purchase	Estimate of % business use	Date of purchase	£