



A Guide to Contractor Expenses



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1**WHO ARE WE?**

If our name sounds familiar, don't be surprised. Dolan Accountancy was set up by Simon J Dolan, the man behind the well-known brand SJD Accountancy. After selling the business in 2014, Simon stepped away from the industry for three years, but watched the market very closely – deciding in 2017 to come back into the accountancy world that he knows so well, but to do things a little differently. We thought it might help if he explains why . . .

INTRODUCING DOLAN ACCOUNTANCY

"I believe that enabling each contractor client to have proactive advice from their dedicated accountant is vital, but many firms have moved away from this level of service in favour of a more impersonal approach. These companies, and even those who have retained an element of personal service, are not embracing new technologies to make their clients' lives easier – choosing instead to use technology to increase their own margins and to mask internal inefficiencies.

I wanted to start again from scratch, with no legacy issues, providing you with a service that is second-to-none, based on my years of experience in building up the UK's largest contractor accountancy firm. My experience in other industries such as aviation and engineering has helped me to understand how efficient processes can transform my business and yours, and this is what we intend to do. I look forward to taking that journey with you."

The outcome of all this is Dolan Accountancy – dedicated contractor accountants delivering a combination of experience, service and technology for just £105.00 + VAT per month, one of the lowest rates in the industry.



Do you want to join our contracting revolution?

Call Sophie on 01442 795 100

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WHAT EXPENSES YOU CAN CLAIM?**WHAT CAN YOU CLAIM FOR?**

An expense is defined as something which is made 'wholly and exclusively for the purposes of your business' by HMRC – and can include things like:

- Company formation
- Company bank charges and interest
- Pension contributions
- Accountancy fees
- Business travel and hotels
- Stationery and postage
- Phone and internet costs
- Business entertainment
- Equipment for business use
- Motoring expenses
- Software
- Technical books and journals
- Some professional subscriptions
- 'Use of home as office' allowance



It may help to expand on a couple of these in a little more detail, as follows:

Motoring expenses

It is better to own your own car privately and use this for business purposes, as you can charge your company a rate for business use, up to 45p per mile and this is also tax deductible. If the business buys the car it is classed as a 'company car' and taxed as a benefit in kind, so this is less beneficial.

Home office

If you do use your home as an office, then you are able to claim back a use of home allowance, to cover some of the costs. The allowance is currently set at £4 per week or £18 per month, for the financial year ending April 5th 2018.

Your accountant will not ask to see your receipts - but you still need to keep them for at least six years so that you can prove the purchase was made, to cover you in the unlikely event of a tax inspection.

KEEPING RECEIPTS

It is important to keep track of all your business expenses, as these can be offset against income and so will help to reduce your tax bill.

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DEFINING A 'VALID' BUSINESS EXPENSE

The subject of expenses is a tricky one, and there are certainly some rather 'vague' areas at first glance. We thought it might help to clarify some of the key points, to help you stay on the right side of HMRC!

Training courses - it's important to keep your skills up to date, and that can involve training as well as gaining new experience on each contract. So training courses are definitely an allowable expense, as long as they are 'wholly and totally relevant to the performance of your duties' under your existing contract.

Travelling costs - as a contractor you can claim for the cost of travelling to the place in which you are working – whether that's by car, motorbike, bicycle or public transport, and even if you are a passenger in someone else's car.

As we mentioned previously, if you use your own personal car – rather than a vehicle which was bought by your company – you can claim 45p per mile for the first 10,000 miles of each financial year, and then 25p per mile after that. That also counts for any other mileage carried out as part of your role. This allowance covers you for the cost of fuel and of running the vehicle. Motorbikes allow you to claim 25p per mile, and bicycles 20p per mile. If you travel to and from work in someone else's car, you can claim 5p per mile.

In addition, you can also claim expenses for parking, and for the congestion charge - but unsurprisingly you cannot claim for things like speeding or parking penalties. If you're claiming for any travel by public transport, including taxis or flights, you need to keep your receipts in the same way as you would for any other business expense. Transport can be claimed but you must have a valid receipt.

Food and drink - you can claim 'reasonable' expenses for food and drink, but only where these are consumed whilst you are working at a location which is not your normal place of work, or when staying away overnight on business.

Hotel accommodation - if you need to stay away overnight as part of your role, then you can claim the 'reasonable cost' of your accommodation as a business expense. This covers hotels, bed and breakfasts and any other commercial accommodation provider which charges you for your stay. You cannot claim a cost to stay with a friend or relative for example, if they did not charge you.

Clothes - even though you may only wear certain clothes for work, you still cannot claim for these as expenses. However if they form part of what might be considered a uniform you may be able to claim for these.

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CLAIMING EXPENSES IF YOU'RE INSIDE IR35

If your contract falls 'inside IR35', then expenses need to be handled very differently. If you're not sure what that means, you can find out more about IR35 by reading our IR35 Plain English Guide.

In this situation, you will have a reduced allowance for expenses, meaning that you can only claim tax relief for certain things. These include:

- Employer contributions to approved pension schemes
- Gross salary paid, plus any employer's NI contributions
- 5% of your gross income from relevant engagements, to cover your running costs
- Professional subscriptions
- Professional indemnity or personal liability insurance

We thought it was also worth expanding on a couple of these in a little more detail, as follows:

Pension contributions - these become very important when your contract falls inside IR35, as they can be offset against your tax liability - they are deducted before your 'deemed salary' is calculated. This means you save on the income tax and NI that you would normally have paid, and your limited company also avoids the employer's NI contributions as well.

The 5% - this amount is intended to cover all of the expenses of running your limited company, including accountancy fees and the Companies House filing fee. This may be higher or lower than your actual expenses, so for Corporation Tax purposes you must still keep a record of the actual amounts.



Do you want to learn more about expenses?

Call Ashley on 01442 795 100

5**THE IMPORTANCE OF A GOOD ACCOUNTANT**

Expenses can be a tricky thing to get right, in fact the HMRC guide on the subject runs to around 100 pages! It's very important to understand that you can't claim expenses for something that you didn't actually pay for, or even something that you did pay for, but that you cannot prove - for example if you don't have a receipt. If you do this and you get found out, then you will of course be liable for any underpaid tax.

All of this being the case, we can't stress enough how important it is to have a good accountant to guide you - even though it's not a legal requirement. And it's not just about expenses - as the director of a limited company, if you do not complete all the relevant paperwork correctly, and on time, you could be liable for a hefty fine, or possibly even imprisonment - if there is any suspicion that incorrect information was supplied on purpose. And that's not just scare tactics, it's fact.



As you read any of our guides, you will notice that we regularly refer to responsibilities which 'your accountant' will handle for you - so bear in mind, if you choose not to take on the services of an accountant, all of these responsibilities will fall to you. Not easy while you're trying to set up and run your new life as a limited company contractor.

It's also important to remember that an accountant's role goes far beyond form filling and dealing with HMRC or Companies House. A good accountant will also be able to advise you on how to run your business in the most effective way, and how to take advantage of tax planning opportunities to maximise your income - so their worth cannot be under-estimated.



**Do you want £105 + VAT per month
accountancy?**

Call Jaime on 01442 795 100

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WHY CHOOSE DOLAN ACCOUNTANCY?

We have the heritage, reputation and credibility of the Dolan name - coupled with our firm financial footing, our money back guarantee, and of course our ability to offer you the best possible price – just £105 + VAT per month. We believe this makes the decision to choose Dolan Accountancy crystal clear - and we hope you do too, once you've had time to understand our level of knowledge and experience.

WHAT DO WE OFFER?

- Free limited company formation
- 12 month's free business banking
- FreeAgent™ online accounting software
- Free Registered Office address
- Free Director's Service address
- Your own dedicated accountant
- Money back guarantee

This last point is very important to us. We have been in the industry long enough to know that service is everything. We know you want a fast response to any queries you may have and an efficient and friendly service at all times. As such, we guarantee that if we fail to deliver on any one of the points below, in any given month, we will refund your entire £105 + VAT fee for that month. Just let us know where we failed and we will arrange your refund – as well as dealing with the issue in question of course.

- When you become a client, your dedicated accountant will be in touch within one working day of your signed contract being received by us.
- If you email us before 4pm on a working day, we will respond the same day – if after 4pm, we will respond by the end of the next working day.





- Subject to all appropriate information having been received, draft Company Year End Accounts will be sent to you for approval within 15 working days.
- We will ensure that our client/accountant ratio is always maintained at a level that enables us to provide an exemplary level of service.
- If you do have to leave us a phone message for any reason, we will respond within one working day.
- If you send us a letter, we will respond within two working days of receipt.

We also work closely with our sister company [Contractor Umbrella](#), a member of APSCo - giving you the flexibility of using either our Limited Company Accountancy Services or our award winning Umbrella service, for no additional cost.

DO YOU HAVE ANY QUESTIONS?

Give us a call
on 01442 795 100