

EMPLOYMENT POLICY

# Business Expenses

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## **1. Scope & Purpose**

- 1.1. The general policy is that employees required to travel or incur expense whilst on Lothian business, shall be reimbursed for all legitimate reasonable or necessary expenses.
- 1.2. This policy covers Lothian rules relating to claims submitted for travel and other Business related expenses.
- 1.3. The procedure and instructions contained in this policy have been prepared to comply with current UK Government Income Tax and National Insurance regulations.
- 1.4. This policy applies to all employees of the Lothian Family.

## **2. Expenses incurred whilst on Company Business**

- 2.1. All employees are entitled to claim expenses incurred whilst on legitimate Lothian Business. They should do so by completing an Expenses Claim Form. The form is

available from the Finance department or can be obtained from their Line Manager or downloaded from the company intranet.

- 2.2. In most circumstances official valid VAT receipts will be available for expenses incurred. Claims must be supported by receipts and may be rejected if a receipt is not provided unless there are specific and justifiable reasons why one has not been obtained, for example, certain parking meters, toll roads, underground train costs.
- 2.3. If an expense claim form is not fully completed and properly authorised it will be returned to the claimant and will not be considered for payment until the errors are corrected.
- 2.4. Expenses should only be authorised if expenditure has actually been incurred, this will be evident by a receipt (unless stated elsewhere in this policy).
- 2.5. An employee must, wherever possible, obtain authority in advance to incur expenses. Under no circumstances should unauthorised expenditure or unauthorised expense claim forms be passed for payment.

- 2.6. Expense claim forms (see appendix A) should be completed on a monthly basis and must always be signed by the claimant before authorisation. In addition the claimant must provide sufficient information for the authoriser to check that the expenses were “wholly, exclusively and necessarily incurred in the performance of their duties” i.e. that they were a legitimate business expense. The authoriser must check that the form is completed correctly, that the arithmetic is correct and that the claim is being made in accordance with Lothian policy. Once authorised the form should be sent to the Cashier in the Finance department.
- 2.7. All expense claim forms, and all related invoices which include the expenses, must be authorised by the claimant’s Line Manager.
- 2.8. Any expense claims outside the terms of this policy will not be processed.

### 3. Business Expense claims and VAT – the process

- 3.1. Debit/credit card slips or photocopies are not acceptable as supporting documentation for an expense claim. The original VAT receipt is required.
- 3.2. VAT can usually be reclaimed by Lothian and must be analysed separately on the claim form.
- 3.3. To avoid subsequent questions, the description of the expenditure needs to make it clear why it is a business expense.
- 3.4. Approvers cannot authorise their own expenditure. Therefore in most circumstances for expenditure on items such as meals/ drinks/ fares, the most senior member of staff should claim and seek approval from their Line Manager.
- 3.5. A failure to follow these procedures can in certain circumstances lead to an unnecessary tax liability on Lothian and/ or on the individual making the claim.

## 4. Tax Treatment of Business Expenses

- 4.1. If an expense is incurred and reimbursed in accordance with this policy, unless stated elsewhere to the contrary, neither Lothian nor the employee will have to notify the Inland Revenue.
- 4.2. Failure to follow these procedures may result in Lothian being liable for PAYE, NIC, interest and penalties and the employee concerned may be liable for disciplinary action.
- 4.3. Expenses wholly, exclusively and necessarily incurred in the performance of an employee's duty, will not be liable to income tax and national insurance contributions (NIC).
- 4.4. Unless stated to the contrary elsewhere within this policy:
  - Any tax liabilities arising will be the employee's liability and either PAYE or NIC will be deducted or the necessary information provided both to the employee, and the Inland Revenue, at the end of the tax year. Any information provided to an employee must be shown on their personal tax return. Even if the Inland Revenue does not issue a tax return, the employee is still responsible for notifying their Inspector of Taxes of any new income.

- When it is the employee's responsibility to notify Lothian of any changes to their tax arrangements the Payroll department must be contacted immediately. Failure to do this may result in Lothian being liable for substantial penalties due to late supply of information.

## 5. Overnight Accommodation

- 5.1. Overnight accommodation should only be claimed when:
  - It is necessary for an employee to stay overnight given the distance travelled and the time that the journey or event commenced or finished.
- 5.2. The standard of accommodation chosen must be reasonable in relation to business needs and the employee's circumstances and will be dictated by the company except in exceptional circumstances.
- 5.3. The cost of hotel accommodation per night in the UK should not exceed £150 + VAT (room only) in London or £105 + VAT (room only) outside of London. If the hotel accommodation cost is higher than these limits, this should be approved by the Managing Director.

- 5.4. Overnight accommodation should always be booked through the Executive Support Team aligned to the Board of Directors.
- 5.5. Employees are allowed to claim overnight expenses which includes an evening meal and drink. The Inland Revenue allowance is currently £25 (including VAT) per night.
- 5.6. Claims in respect of paid TV and excessive bar bills for example, are not reclaimable, and therefore will not be reimbursed.
- 5.7. The actual expenditure incurred must be supported by proof of purchase. Where the claimant is unable to obtain receipts, the authoriser must satisfy themselves that the expense was incurred.

## **6. Travelling and Costs**

The following guidance must always be applied. Only in exceptional circumstances and with prior approval from the Managing Director should alternatives be used.

## 6.1. Air Travel

Tickets for flights should always be booked through the Executive Support Team aligned to the Board of Directors.

For all flights employees should travel economy/standard class. If employees wish to upgrade their flight arrangements beyond the above limit they will be liable for any additional costs themselves personally.

## 6.2. Rail

For journeys under 3 hours employees should travel economy/standard class only.

For journeys over 3 hours the company may upgrade the rail travel to first class at the approval of a Director, if there is reasonable justification to do so.

Directors or Senior Managers may be upgraded to first class should there be a requirement to undertake working duties as part of the journey. This request should be made to the Executive Support Team for approval by the Managing Director.

### 6.3. Taxis

Where employees travel in taxis for business purposes valid receipts must be obtained in order to be reimbursed for the cost of the journey. In addition, the expense claim form must detail the journey start location, the destination and the purpose of the visit.

If an employee (excluding regular shift workers) is occasionally required to work late, and it is considered unreasonable for them to go home by public transport, a taxi may be used to take them home and this may be charged to Lothian. Where possible, the cost of the journey must be authorised by the Line Manager in advance of the journey.

### 6.4. Relocation Expenses

Relocation expenses should only be incurred after approval from the Head of People. Assistance with domestic relocation, as a result of a job change is subject to prior discussion and agreement with the Managing Director. Any expenses in respect of a domestic relocation, i.e. a permanent change of an employee's main home, **should not** be included on an expense claim form.

The claim period for all removal benefits and expenses ends on the last day of the tax year **following** the tax year in which the employee starts to perform the relocated duties.

All relocation expenses must be notified to the People Function and any which:

- Exceed the Inland Revenue limit (currently £8,000); or
- Are ineligible expenses; or
- Fall out with the claim period,

will be reportable on a P11D, where applicable.

## 7. Meals and Entertaining

Claims for meals need to be broken down into the following categories:

### 7.1. Subsistence

If an employee takes a meal away from their normal place of work, the cost of the meal can be claimed providing that:

- A valid receipt is produced, and enclosed with the expenses claim form and full details are disclosed on the expenses claim form; and
- The normal place of work is more than three miles away; and
- More than five work hours has been undertaken away from the normal place of work.

The cost of the meal should be reasonable and it is left to the employees discretion as to how much can be spent. However, the cost of a lunch **not exceeding £10**, and the cost of an evening meal for **less than £25** will not be regarded as unreasonable. Tax or NIC will not be due on the reimbursement of these items and the amounts will not be disclosed on the employees P11D.

If an employee takes a meal with another Lothian employee, i.e. a “working lunch”, this is considered to be staff entertaining and is taxable (see details below). Details must be shown on the expense claim form to distinguish staff entertaining from customer entertaining.

## 7.2. Entertaining

The definition of what constitutes “entertaining” is widely drawn and covers hospitality of any kind. If an employee has any doubt as to whether an expense would be regarded as “entertaining” they should discuss this with the Finance department in advance of completing their expenses claim form with a claim for reasonable expenses.

## 7.3. Customer Entertaining

Claims should only be authorised for reasonable business entertaining if the employee has provided details of the names of Lothian employees attending, the name of the individual who has been entertained and from which organisation. This information is required to differentiate from staff entertaining (see below).

Customer entertaining is disallowed for corporation tax purposes and hence is not taxable on the employee or liable to NIC. Furthermore, VAT is not reclaimable on this type of expense. The expense should still be reasonable in nature and amount.

#### 7.4. Staff Entertaining

In certain exceptional circumstances staff entertaining can be claimed, for example where a Lothian employee entertains a Lothian colleague, as opposed to a customer, at or near the employee's normal place of work, or where a Director takes an employee to lunch to discuss the renewal or alteration to their service contract.

The element of the expense which relates to the employee at or near their normal place of work will be liable to tax and NIC. Any element which relates to an employee away from their normal place of work will be regarded as subsistence and therefore not liable to PAYE and NIC.

The Finance department will keep a record of this expenditure and the amounts will either be disclosed on the employee P11D or **included in the Company's PAYE Settlement Agreement.**

## 8. Private and Company Cars

- 8.1. Lothian's policy is to reimburse employees for the cost of a business journey by way of a business mileage allowance. It is only the cost of the full business journey that can be claimed. The journey can start from either the employee's home, temporary workplace or permanent place of work.
- 8.2. The same concept also applies to the return journey. No amount can be claimed in respect of normal journeys to/from an employee's home to/from their place of work.
- 8.3. Lothian operates a reimbursement rate of **45 pence** per mile (where an employee is NOT in receipt of a car allowance) based on the current Inland Revenue allowance rate. If carrying a passenger then 5 pence per mile per passenger can also be claimed.
- 8.4. Lothian cannot insist that an employee uses their own car but if a private car is used the employee must have suitable business use insurance. This includes declaring to their own insurer the intention to use for business travel, having a valid parking pass where different garage access is required and having a valid MOT and Road Tax.

8.5. Where possible employees should provide receipts for fuel purchased around the time of the business travel to back up the mileage claim.

#### 8.6. Company Cars

Any employee who is provided with a company car which is available for private use will be taxed on the “benefit in kind” value of the car based on its list price and CO2 emissions in line with current regulations laid down by the Inland Revenue.

#### 8.7. Private Fuel

Where Lothian meets the cost of the employee’s private fuel for a company car a scale charge will be applied in line with current regulations laid down by the Inland Revenue.

**Employees who are entitled to have private fuel paid for must use a company fuel card. Lothian will not reimburse the costs of private fuel obtained via any other method.**

#### 8.8. Car Washes

The cost of car washes should not be charged to Lothian.

## 8.9. Records and Details Required

Employees must keep a record of the starting point, destination(s) and finishing point of each business journey. Full details of these journeys must be recorded on the expenses claim form when requiring reimbursement.

## 9. Professional Subscriptions

9.1. At the discretion of the Directors and with prior approval of a Line Manager, an employee may reclaim the cost of one subscription per year to a professional body relevant to the employee's job; professional subscriptions relevant to your job do not generally result in a tax liability.

## 10. Home Telephone Bills

10.1. The cost of any business calls made at an employee's home should be claimed on an expenses claim form. Reimbursement of home telephone calls should be rare and/or exceptional. A copy of the employees itemised home telephone bill should be attached and should clearly show the cost of the call made and the business reason for the call.

## 11. Educational Courses and Conferences

- 11.1. If a course is undertaken which is required by Lothian and provides skills or training which are necessary for the performance of the employee's role and/or duties, or the course provides skills or training which directly relate to increased efficiency of the performance of the employee's existing or future duties, there will be no cost to the employee.
- 11.2. If any of the above circumstances apply, the cost of course fees, essential books and any additional travelling and subsistence expenses incurred as a result of attending the course can all be claimed back, if paid for by the employee. If possible, get the invoice made out to Lothian and have Lothian Finance Department pay it directly.
- 11.3. Relevant examinations fees may, by prior agreement, be met by Lothian although fees due on second and subsequent attempts at the same examination will be at the discretion of the relevant Director.
- 11.4. Any courses which do not fall into the above categories and are undertaken by the employee will be paid by the employee directly and not be reclaimed from Lothian.

11.5. If a written agreement has been entered into regarding clawing back training costs should an employee leave employment with Lothian within a defined period of time after training has been completed then payment by the employee must be honoured.

## **12. Mobile Telephones**

12.1. Mobile telephones are provided to some employees. The use of company mobile phones for personal use will be monitored. Where private calls are made on the phone the employee may be asked to reimburse Lothian for the cost of such calls.

## **13. Portable Computers**

13.1. In the interests of security, any portable computers or equipment which an employee takes home may only be used for business purposes. Computers will be checked regularly to ensure that no unauthorised software has been used. Computers and computer discs should be regularly checked for viruses/malware.

## 14. Secondments

- 14.1. An employee who is sent from their normal place of work elsewhere within Lothian for a period of up to twelve months (after which time they return to their normal place of work) will be described as a “secondment”. Normally claims for travel and subsistence expenses will be authorised in these circumstances.
- 14.2. If at the outset, it is known that the secondment will last for more than twelve months, all of the expenses will be liable to tax and NIC and need to be paid via the payroll.
- 14.3. If the secondment unexpectedly lasts for more than twelve months, the expenses will only become taxable from the date that it is known that it will exceed twelve months.

## 15. Parking and Speeding Fines

- 15.1. All employees and Directors are personally liable for any speeding fines (or any other traffic fine) incurred even if the fine was incurred whilst travelling on Lothian business. There are no circumstances in which reimbursement will be made.

15.2. If, as a matter of expediency, Lothian pays the fine on behalf of the employee, for example, where the vehicle is registered in Lothian's name, the amount will be deducted from the individual's next salary/ wage payment, unless they immediately reimburse Lothian for the full amount.

15.3. Employees and Directors are personally liable for any parking fines incurred. In exceptional circumstances, and only with the approval in advance from a Director, Head of People or the Managing Director, Lothian may settle the liability on behalf of the employee, providing it can be clearly demonstrated that there was an overwhelming business purpose which led to the fine being incurred.

## 16. Version Control

<b>Version No.</b>	<b>Date of Change</b>	<b>Change made by:</b>	<b>Key Amendments</b>
V1.0	14/05/2021	John Benson	Published
V2.0	19/12/2023	John Benson	Published