

Employees – claim a tax deduction for expenses

Employees often incur expenses in doing their job – this may be the cost of a train ticket or petrol to visit a supplier, or purchasing stationery or small tools which are used in their job. Employers will frequently reimburse the employee for any expenses that they incur, but where such a reimbursement is not forthcoming, the employee may be able to claim a tax relief.

The test

Employment expenses are deductible only if they are incurred 'wholly, exclusively and necessarily in the performance of the duties of the employment'. The test is a harsh test to meet; the 'necessary' condition means that 'each and every' jobholder would be required to incur the expense. Consequently, there is no relief if the expense is not 'necessary' and the employee chooses to incur it (even if the 'wholly and exclusively' parts of the test are met). The rules for travel expenses are different, but broadly operate to allow relief for 'business travel'.

In the performance of the job v putting the employee in a position to do the job

A distinction is drawn between expenses that are incurred in actually performing the job and those which are incurred in putting the employee in the position to do the job. Expenses incurred in travelling from the office to a meeting with a supplier and back to the office are incurred in performing the job. By contrast, childcare costs or home to work travel are incurred to put the employee in a position to do the job. Relief is available only for expenses incurred as part of the job, and not for those which incurred, albeit arguably necessarily, to enable the employee to do the job.

Expenses for which relief may be claimed

A deduction can be claimed for any expense that meets the 'wholly, exclusively and necessarily' test. Examples include professional fees and subscriptions, travel and subsistence costs, additional costs of working from home, cost of repairing tools or specialist clothing, phone calls, etc.

Where the expense is reimbursed by the employer, a deduction cannot be claimed as well; however, the amount reimbursed is not taxable and is ignored for tax purposes.

Using your own car

Where an employee uses his or her own car for business travel, the employer can pay tax-free mileage payments up to the approved rates. For cars and vans, this is 45p per mile for the first 10,000 miles in the tax year and 25p per mile for any subsequent miles.

If the employer does not pay mileage allowances or pay less than the approved amount, the employee can claim tax relief for the difference between the approved amount and the amount paid by the employer.

Flat rate expenses

Employers in certain industries are able to claim a flat rate deduction for certain expenses in line with rates published by HMRC (see www.gov.uk/guidance/job-expenses-for-uniforms-work-clothing-and-tools#claim-table). Although claiming the flat rate removes the need to keep records of actual costs, employees can claim a deduction based on actual costs where this is more beneficial.

How to claim

There are different ways to make a claim depending on your circumstances. Claims can be made online using HMRC's online service, by post on form P87, by phone or, where a self-assessment return is completed, via the self-assessment return.