Headlines

- How EIS Can Benefit You?
- Is Your Mobile Device Tax Smart?
- Is There a Limit on Tax Relief for Travel Expenses?

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If you've recently made a **capital gain**, you may be facing a tax bill. However, an **Enterprise Investment Scheme (EIS)** offers a valuable way to **defer and potentially reduce Capital Gains Tax (CGT)** while supporting high-growth businesses.

How EIS Can Benefit You?

The **EIS scheme** provides several tax advantages, including:

- **CGT Deferral –** Reinvesting a capital gain into an EIS allows you to defer the CGT liability until you sell or transfer the investment.
- **30%Income Tax Relief –** Investing in an EIS can reduce your income tax bill. For instance, a **£20,000 investment** could lower your tax liability by **£6,000**.
- **Tax-Free Growth –** Any gains made on EIS shares after three years are **exempt from CGT.**

Example: Maximising Tax Savings

Tom, a higher-rate taxpayer, made a capital gain of **£24,000**. By investing in an EIS and later transferring part of his investment to his civil partner (a basic-rate taxpayer), he significantly reduced his tax bill. Had he sold the investment all at once, he would have paid **£5,040** in CGT. By staggering sales across tax years, his total CGT liability was reduced by **£2,880**.

Where to Find EIS Investments

EIS opportunities are widely available through financial advisers and investment platforms, including:

- Syndicate Room
- Octopus Investments
- SFC Capital
- First Wealth

Smart Planning for Maximum Savings

To optimise tax benefits:

- **Time your investment and sale** to make full use of your CGT annual exemption.
- **Consider spreading sales over multiple tax years** to reduce taxable gains.
- **Transfer EIS investments to a spouse or civil partner** to take advantage of their tax allowances.

Take the Next Step

EIS investments offer a strategic way to **grow your wealth while reducing tax liabilities.** If you are considering reinvesting gains, now is the time to explore EIS opportunities.

Is Your Mobile Device Tax Smart?

Did you know that employers can provide **one mobile phone** to employees, including directors, **completely tax-free?** But does this exemption apply to other smart devices like tablets and smartwatches? Let's break it down.

The Mobile Phone Tax Exemption

The UK tax system allows **one employer-provided mobile phone** per employee to be **exempt from tax and National Insurance (NI).** This applies even if the device is used for both **business and personal** purposes.

Originally introduced to encourage the use of mobile technology, the **exemption remains valid today**, even as mobile phones have evolved significantly beyond simple voice calls.

What Qualifies as a Mobile Phone?

A device must meet two key conditions to qualify for tax exemption:

1. It must be **designed primarily for making voice calls**.
2. It must **connect wirelessly** to a mobile network.

This means that traditional **mobile phones and most smartphones qualify**. However, not all connected devices enjoy the same tax treatment.

Tablets and SIM-Enabled Devices – Are They Exempt?

Tablets (e.g., iPads, Galaxy Tabs) do **not** qualify for the tax exemption—even if they have SIM cards and can make calls via apps like WhatsApp or Zoom. HMRC considers them primarily **data and multimedia devices,** rather than communication tools.

SIM-Only Plans Are Exempt

Interestingly, employers can provide **a SIM card or a call and data plan** independently of a mobile phone, and this would still **not count as a taxable benefit** for employees.

Smartwatches – A Tax-Free Benefit?

Smartwatches have increasingly become **miniature mobile devices**, with some models allowing **direct voice calls via eSIMs or Bluetooth connectivity**.

Smartwatches that can make and receive calls may qualify for the exemption, provided they meet the conditions of **wireless network connectivity and voice call functionality**.

Key Takeaways

- **Employer-provided mobile phones** are **fully tax-exempt** if they meet HMRC's criteria.
- **Tablets and most other SIM-enabled devices do not** qualify.
- **A SIM-only contract** provided by an employer **is also exempt** from tax.
- **Voice-enabled smartwatches may be eligible** for the exemption under certain conditions.

Final Thought

To ensure compliance and maximise tax benefits, businesses should carefully **review the devices they provide to employees**. If in doubt, seeking professional advice can help clarify **what qualifies for tax relief and what doesn't**.

Is There a Limit on Tax Relief for Travel Expenses?

When it comes to **business travel expenses**, many employers and directors assume that HMRC sets limits on what can be claimed. However, the key **factor** in determining tax relief is **not the cost but the purpose** of the trip.

What Qualifies for Tax Relief?

For **travel expenses** to be **exempt from PAYE tax and National Insurance (NI)**, they must meet one of these conditions:

- The journey is made **in the course of performing a job** (e.g., a sales director visiting clients).
- The journey is for a **temporary business purpose** (e.g., a director inspecting a remote office or project site).

Tip: The exemption covers **all associated travel costs**, including **hotel stays, meals, and transport**.

Can HMRC Challenge High Travel Costs?

Sometimes, **HMRC inspectors** argue that if travel costs appear excessive or "luxurious," they should be treated as a **benefit in kind**—and therefore subject to tax.

However, **HMRC's own internal guidance** clarifies that the amount spent is **not a factor** in determining tax treatment. The key test is **the nature of the expense, not the cost**.

Luxury vs. Practicality – What's Allowed?

- **Higher travel and accommodation standards for directors and senior employees** are **completely acceptable**.
- **First-class flights** or **five-star hotels** do **not** automatically trigger a tax charge.
- As long as the purpose of the trip is **genuinely business-related**, HMRC **cannot dictate the level of comfort or cost**.

Tip: Having a clear **company travel policy** distinguishing director and employee travel allowances can help avoid disputes with HMRC.

Employer's Tax Position

- Businesses can **fully deduct** business travel expenses from taxable profits.
- If HMRC deems expenses as **non-business related**, the employer may have to pay **Class 1 or Class 1A NI (13.8% in 2024/25, increasing to 15% from 2025/26).**

Key Takeaways

- Business travel expenses qualify for **tax relief** as long as they are **for work purposes**.
- **There is no set limit**—HMRC cannot challenge costs purely for being high.
- **Senior employees can travel in comfort** without triggering a tax liability.
- **If challenged**, refer HMRC to **its own guidance**, which confirms that the cost itself is **not a factor**.

Next Steps: Need clarity on travel expense policies? **Review HMRC's internal guidance** for a definitive answer.

Disclaimer

These articles are for **informational purposes** only and should not be considered **tax or legal advice**. Businesses should refer to **HMRC guidelines** or seek **professional tax advice** to ensure compliance.

Interesting Reads

- **How to Start Selling Services to the USA From the UK**

  Over half of UK SMEs wish to sell their services in the US. Around 27% of UK businesses were planning to target the huge American market in 2024 alone.
- **How to Claim R&D Tax Relief: A Start-Up's Guide**

  Did you know that every year, UK businesses leave billions in unclaimed research and development tax relief on the table?
- **Your Guide to Making Tax Digital Income Tax and Self-Assessment**

  Most campaign creators concentrate on their pitch and marketing plan but generally forget the very important aspects.
