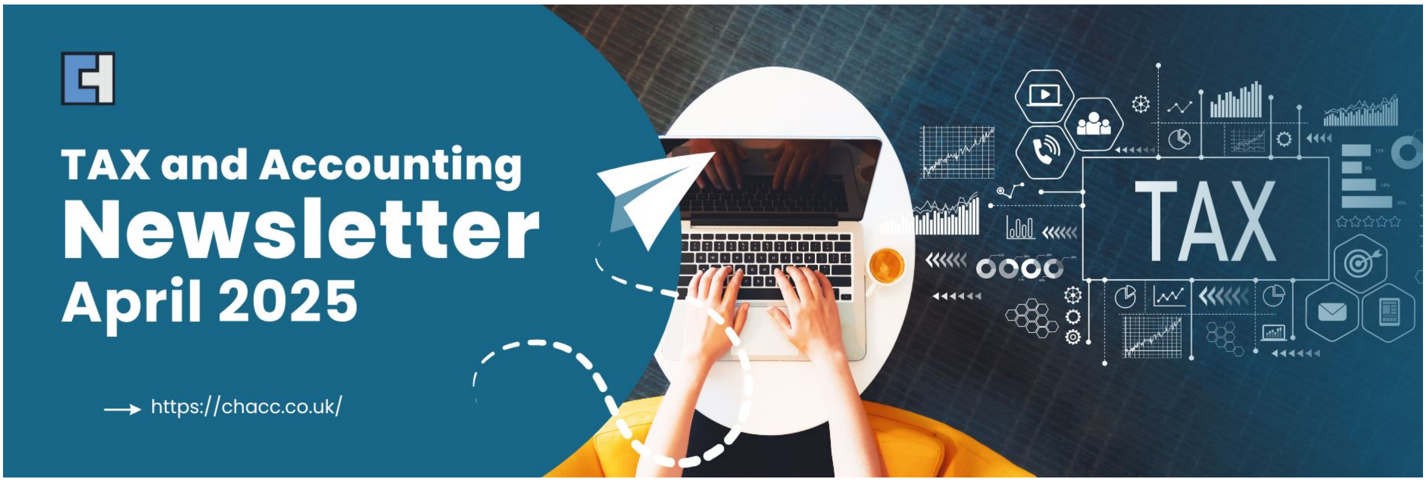
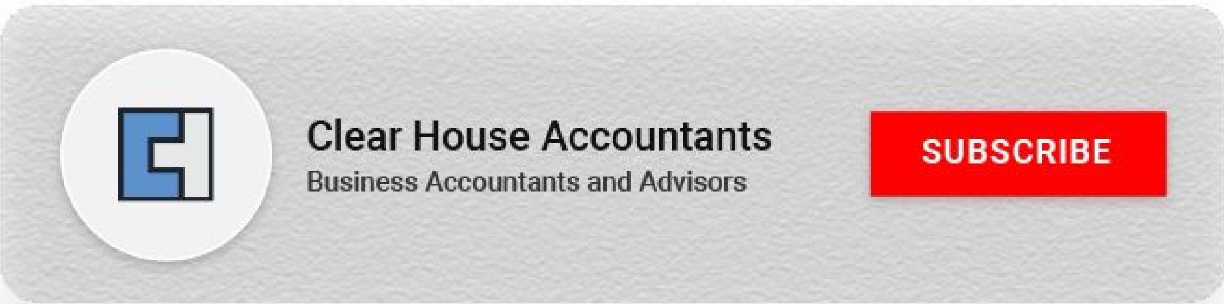


Headlines

- Remuneration Planning for Non-Shareholding Directors
- Woodlands: Could This Be Your Next Investment?
- VAT on Shared Expenses: What Can Be Reclaimed?
- Claiming Travel Expenses: What's Deductible and What's Not?



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Remuneration Planning for Non-Shareholding Directors

With the National Insurance (NI) rate rising to **15%from April 2025**, now's the time to rethink how you structure pay for directors who don't hold shares in the company.

Unlike owner-directors, these individuals can't receive dividends—so how can you still keep their compensation tax-efficient?

Salary vs. Benefits in Kind

When dividends aren't an option, combining salary with carefully selected benefits can help minimise NI costs:

- **Salary:** The first £5,000 of salary from April 2025 will be NI-free for employers.
- **Benefits in Kind:** These attract Class 1A NI at 15% (employer only), but directors don't pay personal NI on them.

> ***Tip:*** *Swapping part of a director's salary for benefits such as private medical cover or gym memberships can reduce overall NI and improve net income.*

Example: A £40,000 salary results in a £7,444 NI cost. Reducing salary to £33,000 and offering £7,000 in benefits instead can cut NI by £560—without changing the overall tax position.

Don't Skip the Salary Altogether

While benefits are efficient, it's still worth using the £5,000 NI-free salary threshold.

Example:

- One director receives £5,000 salary and £10,000 in benefits → total NI cost: £1,500
- Another receives £15,000 entirely in benefits → total NI cost: £2,250

> **Tip:** Always use the NI-free salary allowance before switching to benefits for added savings.

Woodlands: Could This Be Your Next Investment?

If you've recently sold a business and are considering where to reinvest, commercial woodlands could offer a tax-efficient opportunity—with both income tax exemptions and longer-term inheritance tax (IHT) advantages.

Why Woodlands?

With rising volatility in financial markets, physical assets like land are regaining popularity. Commercial woodlands in particular can provide:

- **Capital Gains Tax (CGT) Rollover Relief** – Reinvest proceeds from a business sale into commercial woodlands within three years, and defer CGT on the gain.
- **Tax-Free Income** – Income from timber production is exempt from income tax, though other woodland-related income (like camping or processed timber sales) remains taxable.
- **Inheritance Tax Relief** – Own commercial woodlands for more than two years, and you may qualify for 100% Business Property Relief, potentially reducing IHT to zero.

Example

Bill sells his business for £150,000, with a £70,000 gain. He reinvests £140,000 into commercial woodlands within the same tax year. He can roll over £60,000 of the gain, deferring tax until the woodland is sold.

Other Perks

- Grants may be available for woodland creation and maintenance.
- Income from felled trees may also escape CGT under chattel exemptions (if valued under £6,000).
- Environmental schemes like carbon offsetting can bring additional value.

Keep Records

To access these benefits, you'll need to prove commercial activity—so proper management records are essential.

In summary: Woodlands offer a blend of tax advantages, long-term investment potential, and sustainability benefits. If you're looking to reinvest business proceeds with a view to long-term growth and tax efficiency, it might be worth exploring.

VAT on Shared Expenses: What Can Be Reclaimed?

A common question arises when employees or directors cover shared costs while attending events or staying away for business—what VAT can be recovered?

Let's break it down with a real-world scenario:

A company director attends a business seminar and shares a dinner bill with two fellow attendees. She pays the full bill, but they reimburse her for their share. So, how much of the VAT can her company reclaim?

The Business Entertainment Trap

Generally, VAT on entertainment costs for non-employees—like clients or suppliers—is not recoverable, even if there's a business reason behind the event. That includes meals, hospitality, and social activities.

> ***Note:*** *Even if the outcome is business-related (e.g. networking), VAT is still blocked if the event classifies as entertainment.*

When VAT Can Be Reclaimed

In this case, the director was reimbursed for the others' meals, meaning she only covered her own cost. This shifts the nature of the expense from entertainment to subsistence—which is allowable.

- **Each diner's business** can claim back VAT on their share—provided they have the right documentation.
- The **director's business** can only reclaim VAT if it reimburses her for the expense and receives a valid receipt.

> ***Tip:*** *Ask for separate invoices when sharing costs to simplify VAT recovery.*

Summary

- Paying on behalf of others? Make sure you're reimbursed—otherwise, it may count as entertainment.
- Only the business that actually received the supply (the meal) can reclaim VAT.
- For personal card payments, ensure reimbursement and retain proper receipts for compliance.

Claiming Travel Expenses: What's Deductible and What's Not?

When it comes to claiming travel expenses for tax purposes, one of the most misunderstood areas is the distinction between **ordinary commuting** and **business travel to temporary workplaces**. Getting it wrong could result in rejected claims—or worse, penalties—so it's essential to understand the rules.

This article breaks down what HMRC considers allowable, how the **40-hour rule** applies, and common pitfalls to avoid.

Permanent vs Temporary Workplaces

Whether or not travel is tax-deductible depends largely on how HMRC classifies the workplace:

Permanent Workplace

A **permanent workplace** is a location the employee **routinely attends** to carry out the duties of their employment.

- Travel between home and a permanent workplace is known as **ordinary commuting** and is **not tax-deductible** under section 338(3) of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003).
- This remains the case even if the employee travels:
- Outside of normal working hours
- On a rest day or day off
- To catch up on work or complete urgent tasks

> **Example**: A doctor routinely works at one hospital. Even if they visit on their day off or in the evening to complete admin work, that journey is still classed as ordinary commuting and **not allowable**.

Temporary Workplace

A **temporary workplace** is a location the employee attends for:

- A **limited duration**, or
- A **temporary purpose**

This includes one-off assignments, emergency call-outs, or project-based work not expected to last long term.

- Travel to temporary workplaces **can be claimed** as a deductible expense.
- HMRC outlines these definitions in section 339(3) of ITEPA 2003.

> **Example**: If the same doctor is asked to attend another hospital for a one-day emergency visit, that location would likely be treated as a temporary workplace, making the travel cost **deductible**.

The 40-Hour Rule: When Temporary Becomes Permanent

Even a workplace that begins as temporary can **lose that status** under the 40-hour rule.

Under HMRC guidance, a workplace ceases to be temporary if:

- The employee works there for **more than 40 hours in any 24-month period**, and
- It becomes part of a **regular pattern** of work

In such cases, travel to that location is no longer tax-deductible, as it effectively becomes a **second permanent workplace.**

> ***Tip***: *Keep a running total of time spent at secondary sites. If you're approaching the 40-hour threshold, review whether travel claims should still be made.*

Substituting One Workplace for Another

Some employees work regularly at more than one location—splitting time between, say, Head Office and a regional site.

- If an employee **regularly** attends multiple locations in their working pattern (e.g. 3 days at Site A, 2 days at Site B), **each location may be classed as a permanent workplace**.
- In that case, **none of the travel is deductible**, even if one location was originally viewed as temporary.

Evidence & Record-Keeping

To support any travel expense claim, especially to a temporary workplace, HMRC expects:

- A valid receipt or invoice
- Dates and reason for travel
- A description of the duties carried out
- A record of hours worked at each location (particularly where the 40-hour rule may apply)

> ***Tip:*** *Having a clear, consistent system for logging business travel not only helps defend claims—it protects employees and employers from mistakes.*

Common Pitfalls to Avoid

Here are some frequent errors made by employees and employers when dealing with travel expenses:

- Claiming for travel to a regular workplace—even outside working hours
- Exceeding 40 hours at a site and still treating it as temporary
- Failing to monitor or record travel purpose and duration
- Confusing business entertainment travel with subsistence (only the latter is allowable)
- Assuming one-off trips are always deductible without assessing the nature of the workplace

Summary of Travel Deductibility Rules

SCENARIO	TAX-DEDUCTIBLE?
Travel to a permanent workplace	❌ No
Travel outside working hours to a permanent workplace	❌ No
One-off travel to a temporary workplace	✅ Yes
Over 40 hours at a temporary site (within 24 months)	❌ No (becomes permanent)
Travel between two permanent workplaces	❌ No
Travel to temporary workplace for short project	✅ Yes

Having a solid grasp of these rules helps ensure compliance and avoids unwanted surprises in the event of an HMRC enquiry. Proper documentation, clear definitions of workplace status, and awareness of time thresholds all play a critical role in determining what is—and isn't—allowable for tax relief.

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.