



CLIPPER

CONTRACTING GROUP LTD

CLIPPER EXPENSES POLICY

**A summary of expenses you can claim whilst working
for Clipper Contracting Group**

Using This Guide

Tax law can be a complicated subject but we aim to keep it as simple as possible. This policy is designed to help you understand what you can and can't claim for as a Clipper employee. Ultimately, our aim is to make you as tax efficient and compliant as possible.

The first part of this guide explains the conditions set by HMRC that define when you can and can't claim expenses against tax. It is very important you understand all of these conditions; failure to meet these conditions will result in you being separately assessed and liable for the tax on taxable benefits you have claimed. Please make sure you read them carefully.

The second part of this guide provides a summary of the different types of tax-deductible expenses and the rules around the circumstances in which they can be claimed.

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Section A: Summary of Expense Conditions

Expenses Rules

As an employee of Clipper Contracting Group, travel (including business mileage) and subsistence (meals you have paid for) can be classed as tax-deductible expenses. To qualify for this, you must meet the Supervision, Direction and Control test, not use salary sacrifice for expenses (excluding mileage), your place of work must be regarded as a temporary workplace and you must be anticipating further assignments through Clipper. Each one of these will be explained in more detail below.

Note that any employee falsifying an expenses claim will face disciplinary action in line with the policy outlined in the employee handbook.

1. Supervision, Direction or Control Test

From 6th April 2016 to submit expenses for an assignment you must be able to show “*the manner in which the worker provides the services is not subject to (or to the right of) supervision, direction or control by any person*”. Clipper have devised a set of questions to assess this for each assignment that you perform. If this is assessed successfully and you are found not to be under supervision, direction and control (SDC), then you may continue to claim expenses under the temporary workplace rules for your main location for the assignment. If you are found to be under SDC then you will be unable to claim expenses as these costs will be deemed to be your normal commuting. Once you know the details of your assignment, please contact Clipper to confirm the details and allow us to fully assess your role. Remember that if the assignment changes, or if you commence a new assignment, then we will need to reassess your status.

2. Fixed Expense Allowance

The second piece of legislation to impact from the 6th April 2016 is the removal of the ability to “salary sacrifice” your expenses. Rather than your expenses varying each week, we now have to set your pay at the start of the assignment with a fixed allowance for expenses – **this cannot be changed during the course of the assignment**. All expenses except mileage are covered by this new rule so it is imperative you estimate your expenses accurately as over or under estimates will ultimately affect your take home pay. Clipper will assist you with this process whilst carrying out the SDC status review. Once your non mileage expenses are estimated this is turned into a fixed daily allowance that is recorded as a company cost. Any valid expenses you claim are deducted from this accrual.

Please note that unclaimed expenses accrual is not recoverable by the employee and will be held by Clipper Contracting Group.

Any expenses incurred that is above and beyond the fixed element for a assignment, may still claimable via a self-assessment tax return.

3. What is a temporary work place?

A temporary workplace is defined by the area you are working in rather than the company you are working for. The moment you know that your workplace is no longer considered temporary, you need to stop claiming expenses for travel and subsistence.

Your assignment qualifies as a temporary workplace if:

- a) You intend to complete future assignments through Clipper.
- b) You know that your assignment is not your last.
- c) You know your current assignment will not last more than 24 months.

4. Significant Location Change

For any new assignments you undertake, there will need to be a significant difference in travel distance and route from your previous assignment in order for the workplace to be classed as temporary. Without a significant change in journey, travel and subsistence expenses will not be allowed.

For example if you worked on a construction site for 16 months and towards the end of the assignment, a new site opened next door and you were asked if you were interested in working there for a further 9 months, this would take you over the 24 months. As the location had not changed you could not claim travel and subsistence costs for the second assignment.

5. The 24 Month Rule

We've already explained the importance of defining your assignment as a temporary workplace by the intention to carry out multiple assignments. The 24 month rule will also need to be considered when establishing an assignment as being temporary, as this rule governs each and every assignment.

Definition:

Any assignment which is to last longer than 24 months will be classed as permanent and travel and subsistence will no longer be regarded as tax deductible. This rule comes into effect the moment you know that your work period will be longer than 24 months.

If you are aware that the assignment is to last over 24 months at any point in the duration of your employment, and we were not made aware of this, you could be liable for re-assessment by HMRC.

6. The 40% Rule

The 40% Rule is linked directly to the 24 Month Rule. This applies to employees who are mobile and return to a place of work on a regular basis. The 40% Rule only applies when you have a 24 month period to assess.

Definition:

If over a period of 24 months you have spent over 40% of your time at a particular workplace, regardless of any gaps in employment, and you return to that workplace, then your workplace will be considered as permanent and you will not be able to claim travel and subsistence.

The 40% rule only applies when all of the below statements are true:

- a) You have a 24 month period with Clipper to assess (this includes future contracts that you are aware of i.e. if you know that you are on an 18 month contract and have already worked for 6 months with Clipper you will be classed as having a 24 month period to assess)
- b) You undertake a contract at the same place of work as a previous contract.

Undertaking this contract would take your total time spent at that place of work over 40% of the 24 month period.

The moment you know the 40% rule will apply to a particular place of work, the workplace will be considered permanent and you will no longer be able to claim travel and subsistence expenses.

Section B: Summary of Expenses that can be Claimed

1. Business Mileage – Outside of Fixed Allowance

Mileage can be claimed for all business related travel. This includes from home to your temporary workplace, and vice versa where you are deemed not to be under SDC. For those under SDC, no claim will be possible except where there is extra mileage carried out once you have reached your workplace – if this situation is likely to occur then please contact Clipper as the rules become more complex and there may well be an expense claim that can be made

What are the Rules?

You must provide the correct make, model and registration number for your vehicle. It is also important that you send in all of your fuel VAT receipts. Clipper will not approve business mileage if receipts are not received to qualify your mileage claims. Your car must also be insured for business use, be taxed and have a valid MOT certificate (if applicable).

These expenses are subject to the 24 Month and 40% Rules.

Cars and Vans:

45p per mile for the first 10,000 miles.

25p per mile over 10,000 miles.

Motor Cycles:

24p per mile.

Bicycles:

20p per mile.

Passenger Allowance:

5p per passenger per business mile is allowed for carrying fellow employees in a car or van on journeys which are also work journeys for them.

To qualify for this allowance we will require:

1. For you to name all the passengers within the car.
2. The passenger to be a Clipper employee.
3. For you to provide us with statements from each passenger to confirm they do travel in this vehicle.

Please note that the passenger cannot claim business mileage on top of this.

2. Scale Rate Subsistence (part of fixed allowance)

Whilst working at a temporary workplace, there are certain expenses listed below which you can claim without submitting a receipt to us. While expenses can be claimed without sending a receipt, you are required to keep all receipts for your records. These receipts will be needed for audit purposes to prove that a cost was incurred and a failure to provide these when required will prevent future claims from being accepted.

The cost for subsistence must have been incurred in performance of your duties and can only be claimed for meals whilst working at a temporary workplace during the working day.

Once you decide to take scale rate subsistence claims, you will not be able to claim receipted meals.

The allowances are set as Benchmark scale rates. These are limited to three meal rates per day or per 24 hour period. This allowance reflects an average over the course of your employment. It is expected that on occasions you will have meals that cost under and over the scale rates provided.

A 'meal' is defined as a combination of food and drink and would take a normal dictionary meaning.

A 'working day' is defined as working hours plus travel time.

If you expect that your meals will always be over the below rates, you will need to consider making all your meal claims via the receipted option.

Everyday allowances can be given for:

5 Hour Rate = £5 per day.

The rate may be paid where the employee has been undertaking qualifying travel for a period of at least 5 hours and has incurred the cost of a meal.

10 Hour Rate =£10 per day.

The rate may be paid where the employee has been undertaking qualifying travel for a period of at least 10 hours and has incurred the cost of a meal or meals.

15 Hour Rate =£25 per day.

The rate may be paid where the employee has been undertaking qualifying travel for a period of at least 15 hours, is ongoing after 8pm and has incurred the cost of a meal or meals.

When employees are required to finish late and is ongoing after 8pm then a further £10 meal allowance is claimable along with the 5 hour or 10 hour meal allowance.

Whilst you do not need to provide receipts to claim these allowances Clipper will audit a sample of claims each week and request evidence in the form of a receipt. Your receipt does not need to be £5 or £10, but proves you purchased a meal – it should include both food and drink.

3. Receipted Expenses (part of fixed allowance)

You will need to provide a receipt for all of the following expenses. Clipper will not approve any of the below expenses before the receipt is received.

Further transport costs

Expenses for other transport costs to get to and from a temporary workplace, or travel during the working day, can be claimed. These include ferry costs, bus tickets, taxi fares (not as a general commuting method), train and tube tickets, parking costs, plane tickets, toll charges and congestion charges. Original receipts must be submitted for these expenses to be processed.

Accommodation

Accommodation expenses incurred when working away from a main residence can be claimed. This includes short term accommodation in hotels, B&B's or lodgings. For accommodation expenses a VAT receipt needs to be supplied that details the dates of the stay at the accommodation, plus the name, address and the landline telephone number of the establishment.

Meals

When staying away from home overnight for work purposes, the cost of an evening meal and non-alcoholic refreshments can be claimed. Full receipts must be provided to substantiate any claims.

Incidentals

For each night you stay away from home you can also claim incidental expenses up to a maximum of £5 a day in the UK and £10 a day when overseas. Incidental expenses comprise costs such as: laundry, personal telephone calls and newspapers. You don't strictly need receipts but please provide if you

have them. This isn't a round sum allowance so if your incidental expenses total £3.59, you can only claim £3.59.

Eyesight Tests

If your work involves continued use of visual display equipment, a claim of up to £15 towards eyesight tests can be made. Receipts from a qualified optician must be provided.

Stationery and Books

Any stationery or books used wholly, necessarily and exclusively in the performance of your duties can be claimed. Receipts must be provided.

Tools

Expenses can be claimed for tools purchased as long as the tools are of an industrial nature and are used solely for work. Tools should not cost more than £250 – please speak to us first if you need to buy something more than this.

Protective equipment, safety wear and uniform

Expenses related to Personal Protective Equipment (PPE) such as safety boots, safety hats and visibility jackets can be claimed for. Items of uniform that may only be used in the performance of your work related duties may also be claimed for.

Professional fees and courses

Any courses attended related to a job role may be claimed. The course must be attended during employment with Clipper. Some fees and subscriptions for professional bodies are allowable as business related expenses.

See <http://www.hmrc.gov.uk/list3/list3.htm> for a list of those allowable.

Mobile phone calls

Employees are able to claim for calls made from a mobile phone for work purposes as long as it is a cost above your included minutes. In order to make a claim, itemised business calls should be highlighted and the original bill (not a photocopy) should be sent to Clipper. Unfortunately calls made from Pay as You Go mobiles cannot be claimed. The cost of line rental or the handset is not an allowable expense.

Please remember...

Please note that as we are now operating in line with a fixed allowance for expenses if you claim expenses that were not predicted at the start of the assignment you may well exceed your fixed allowance and therefore not be able to recover your expenses fully. You may still claim against your self-assessment tax return and shortfall to obtain tax relief.