

# NEWSLETTER - Nov'20

## WELCOME

"With each unique client we challenge ourselves to ensure you achieve strategic growth within your organisation"

We achieve this with emphasis on  
clear and concise reporting

HELPING YOU MAKE THE CONNECTION BETWEEN  
SALES, FINANCE & PROFITS

**F D** OUTSOURCE

more than accountants

# IS GYM MEMBERSHIP TAX DEDUCTIBLE?

A colleague told you that a recent ruling by a Tribunal means that you might be entitled to claim a tax deduction for your gym membership. This contradicts HMRC's long-standing guidance. Who is right?

## **Wholly and exclusively tax deductions**

You probably know that tax rules don't allow a deduction for expenses which aren't "wholly and exclusively" for the purpose of your business. The effect of the rule is that unless every penny of an expense is incurred for a business purpose the wholly and exclusively test is failed and none of it is tax deductible.

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### **Duality of purpose:**

Naturally, some expenses have more than one purpose by their very nature. The clearest example is food.

In the case of *Caillebotte v Quinn* 1975 Q, a carpenter, claimed the cost of his lunches while at work. The court said the purpose of eating meals was primarily to meet Q's needs as a human being, not just to keep him fit for work. The wholly and exclusively test was not met.

### Trap:

If an expense doesn't pass the wholly and exclusively test none of it is deductible, even if there's a significant business motive.

### Tip:

If the business part of an expense can be isolated and passes the **wholly and exclusively** test, a tax deduction is allowed for that part, e.g. the cost of business calls on your personal phone bill.

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## Apportioning an Expense

For the tip above to apply you must be able to show HMRC that a quantifiable part of the expenses meets the **wholly and exclusively** condition. This is not easy; a good example of the practical difficulty is illustrated by the court's ruling in *Prince v Mapp* 1969 . P was a professional guitarist who claimed the cost of surgery on his hand. Without the operation he could not have earned a living from playing. The court ruled the expense was not deductible because P played guitar for personal enjoyment as well as professionally and the cost could not be divided.

## **Incidental Benefit**

The odds were against the taxpayer in *Osborne v HMRC* 2020. O was a “saturation diver”, which is physically dangerous and demanding. O’s special training reflected this. He trained not just to be physically fit but to minimise skeletal damage and prolong his career. As you would expect HMRC wheeled out its tried and tested “duality of purpose” argument, i.e. O’s wish to be fit has a personal motive as well as a business one.

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## **NOT NECESSARILY**

The First-tier Tribunal approached the issue from a different angle. Based on past judgments it said “an incidental or unavoidable private advantage” doesn’t necessarily rule out an exclusive business purpose.

In reality O’s only purpose for the special training was to enable him to do his job: the training was “dictated by his occupation as a matter of physical necessity” . The two to three-hour daily fitness regime far exceeded any personal physical need for fitness.

The personal advantage O gained from such a tough regime was therefore incidental.

**Tip:** If expenditure is of a recognisably special character that's directly related to the requirements of your job, it is probably tax deductible. You must be able to show a clear business need and that any personal gain is an unavoidable side effect.

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*In theory a deduction is possible but the conditions are tough. You must be able to show that your job requires a special training regime, not just general fitness and pass the **wholly and exclusively** test. Any personal advantage you gain must be merely an incidental and unavoidable side effect.*

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To Our Stakeholders

FD Outsource is committed to working directly with Sales Driven MD's within their specialised sector to ensure they achieve continual strategic growth.

The Strategic Growth can be measured against the business plan using quantifiable financial measures.

These financial measures can be within Sales/Revenue, Gross Margins, Cashflow, Profitability and Net Worth.

The milestones set in the business plan will be monitored and reviewed at regular intervals through the business life cycle with continual focus on succession planning with the management team.

Our internal core values can be seen within our 5c Guarantee provided to all clients. These are:

- CCommunication
- CCreativity
- CCoherence
- CCommitment
- CConclusion

### Analyse , Identify and Plan

Our priority is that cash flow doesn't become a Barrier to Growth and business profits be converted in to personal wealth.

Sincerely

A handwritten signature in white ink that reads 'Mark Terrington'.

Mark Terrington  
Founder & CEO

WE WORK WITH SALES DRIVEN  
BUSINESS OWNERS

HELPING YOU MAKE THE CONNECTION  
BETWEEN  
SALES, FINANCE AND PROFITS



For a Free discussion on how you can  
make the connection and convert  
business profit in to personal wealth.  
Contact us today

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