

# NEWSLETTER - Aug'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

# HOW FAR MUST YOU GO TO GET A (TAX) FREE MEAL

During the lockdown "a client" worked from home and was often involved in long online meetings with customers and staff. To save time and allow him to have more meetings he bought in food. Can he claim a tax deduction for the cost?

## **Tax Deductible Food**

Whether tax can be deducted for the cost of food has been the source of many disputes with HMRC over the years. These days the position is clearer although not trouble free. The rules which determine whether a tax deduction is allowed are different depending on whether you're an employer, employee or self-employed (including business partners).

## **Wholly and Exclusively**

We aren't going to look in detail at the historical arguments as they are now largely irrelevant. Suffice it to say that the contentious aspect was always so-called "duality of purpose". As you probably know, the tax rules prohibit a deduction for expenses unless they are "wholly and exclusively" for the purpose of the job/business.

As food is required for personal reasons (you need it to live!) it inevitably fails the wholly and exclusively test. However, practice and case law eventually settled on an imprecise compromise where HMRC would allow tax relief for the cost of food where it was linked to a business journey. Eventually this was refined and incorporated into tax legislation.

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## **Self Employed and Partners**

To regularise tax deductions for the cost of food, legislation was introduced in 2009. For once it's written in plain English.

In essence, the rule is that if you incur expenses in the course of business travel and are entitled to a deduction for them, you're also entitled to a deduction for the "reasonable" cost of food and drink.

## **Employers**

The position for employers is simple. If they pay for food for employees (or directors) it's tax deductible from their profits even if it's for staff entertaining. The other side of the arrangement is that the employee may have to pay tax and NI on the cost incurred by their employer (who must then pay employers' NI). There is no tax or NI if the employee would be entitled to a tax deduction if they had incurred the expense themselves.

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## Employees and Directors

For employees and directors deductions for subsistence are covered by one main rule with a couple of variations. It broadly reflects the rule for the self-employed. The legislation is incorporated into that relating to expenses incurred in respect of job-related travel.

In short, if there's tax-deductible job-related travel the cost of food and drink for subsistence is also tax deductible if incurred by the employee and so not taxable where the employer pays for it.

## Online Meetings

So where does that leave our client? He is self-employed and as the meetings didn't involve business travel the cost of food is not tax deductible. If he were an employee or director his employer could claim a deduction but he would have to pay tax on the cost to his employer.

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As a self-employed individual or business partner no tax deduction is allowed for food etc. unless it's combined with business travel. The same is true for employees and directors. However, if their employers meet the cost of food and drink they are entitled to a deduction but the employee/director has to pay tax on the same amount.

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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:

Communication

Creativity

Coherence

Commitment

Conclusion

### 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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