

TIP OF THE MONTH – BUSINESS TRAVEL FOR SELF EMPLOYED TRADERS

Following a recent case in front of the Upper Tier Tax Tribunal involving a doctor with a private practice (Dr Samadian), HMRC are applying the rules for business travel much more strictly.

The 'wholly and exclusive' principle states that where there is both a business and a personal reason or benefit in meeting an expense, there is no tax relief for any of the expense. The doctor in question argued that as he was based at home (where he saw some of his patients and ran the business), the expenses of travelling to and from various hospitals and nursing homes should be an allowable business expense. Based on earlier cases, the Tribunal decided that the 'habitual' journeys to two hospitals should not be allowed but less regular 'itinerant' journeys to other locations would be allowed as a deduction.

Although this case involved a doctor, it has wide ranging implications for other self-employed individuals who operate their business from home and travel regularly to one or two locations. It will become increasingly important to keep a detailed mileage log of business journeys should HMRC challenge the deduction in the business accounts.

If you would like a copy of our extended flyer on this topic, please call us!