

# Jonathan Vowles

Chartered Accountants and Tax Advisors

## Beginners Guide to Getting the Taxman to Pay for your Business Suit

**Are you an employee - remember that company directors are also employees - if so read on!**

Employees can be provided with clothing as a uniform or as protective clothing by their employer, and it is common for this to happen in businesses up and down the country. Which gives rise to an opportunity for the employer to claim tax relief on this type of expenditure.

### So what tax relief is available?

Firstly, where the business is VAT registered, VAT can be reclaimed at 17½%. Secondly, if the business is a limited company then corporation tax can be reclaimed, at either 19% or 30%, or above, depending upon the businesses rate of tax. If the business is a sole trade or partnership then income tax can be reclaimed at either 30% or 41% depending upon the business owner's highest tax rate. So it is possible to reclaim not only the VAT at 17½% but also tax relief at say 30% - In essence any clothing purchased for work actually costs you only 70% of the headline price because the tax man pays the rest!



### How does it work in practice?

In practice either the employer asks for a suit to be provided, pays for it and is given an invoice that is entered into its bookkeeping records and has VAT and tax reclaimed on it, or, the employee asks for a suit, pays for it and is given an invoice and then reclaims the costs by putting in an expense claim together with the invoice to his employer, who can then reclaim the VAT and tax.

### Can the Taxman refuse the relief?

The basis for claiming tax relief is that the costs are validly incurred in carrying on the business and are for the businesses trade. Providing staff clothing is widely accepted as a valid business expense. But, case law has shown that where an excessive amount is paid that not all of the expenditure may qualify for tax relief. So, if you decided to pay £10,000 for a suit you could expect to face a question from the tax man - and would lose a proportion of the tax relief unless, of course, that was what you normally paid for a suit and could prove that it was not an excessive amount!

Contact us for a free no-obligation introductory meeting

... by telephone on 01234 752566

**Jonathan Vowles Chartered Accountants**

114 High Street, Cranfield, MK43 0DG

by fax on 01234 752577

by email to [Jonathan@vowles.co.uk](mailto:Jonathan@vowles.co.uk)

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## Okay, so how about an example!

This page gives examples of purchasing a business suit at a variety of prices, and with a variety of tax rates, so that you can relate one of the examples back to your own situation

### Example tax relief - for a limited company paying tax at 19%

Suit cost	145.00	195.00	475.00	695.00
Plus VAT	25.38	34.13	83.13	121.63
Cash price	170.38	229.13	558.13	816.63
Cash price	170.38	229.13	558.13	816.63
VAT reclaimed	(25.38)	(34.13)	(83.13)	(121.63)
Corporation Tax reclaimed	(27.55)	(37.05)	(90.25)	(132.05)
Net cost	117.45	157.95	384.75	562.95
Net cost %	68.9%	68.9%	68.9%	68.9%

### Example tax relief - for a limited company paying tax at 30%, or, a sole trader or partnership paying tax and nic at 30%

Cash price	170.38	229.13	558.13	816.63
VAT reclaimed	(25.38)	(34.13)	(83.13)	(121.63)
Corporation Tax reclaimed	(43.50)	(58.50)	(142.50)	(208.50)
Net cost	101.50	136.50	332.50	486.50
Net cost %	59.6%	59.6%	59.6%	59.6%

### Example tax relief - for a sole trade or partnership paying tax and nic at 41%

Cash price	170.38	229.13	558.13	816.63
VAT reclaimed	(25.38)	(34.13)	(83.13)	(121.63)
Tax and nic reclaimed	(59.45)	(79.95)	(194.75)	(284.95)
Net cost	85.55	115.05	280.25	410.05
Net cost %	50.2%	50.2%	50.2%	50.2%

## What about benefits-in-kind?

The employee will not be taxed on the cost of the suit or shirts as a benefit in kind as he is expected to wear that type of clothing and it becomes his 'uniform'. If the employer does not want to pay for the actual cost of the suit (that is the amount it costs after tax relief), or, if there is doubt about a suit being a 'uniform' and to stop this becoming a benefit in kind, there has to be what is known as a "salary sacrifice". This is where the cost to the employer of the suit and shirts are deducted from the monthly salary of the employee. This takes effect as a permanent amendment to the employee's salary and terms and conditions of employment, which can be re-amended later! If you would like a copy of the Revenue's own guide on salary sacrifices we have this available to you.

## Caveat

This beginners guide is intended to introduce the subject and should not be taken as specific confirmation that your business can get tax relief. **Jonathan Vowles Chartered Accountants** does not accept responsibility for any action or inaction taken as a result of reading this guide.

## What next?

In order to get the tax relief, you have to spend money! If you would like to find out more about the potential for tax relief then please contact **Jonathan Vowles Chartered Accountants ...** and if you would like to find out more about buying a suit then please contact **Charles Harvey Ltd** on  
Tel: 01536 790461  
Mob: 07711 138250  
e-mail: charlesharvey.tailoring@btinternet.com

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Chartered Accountants

## Jonathan Vowles Chartered Accountants

Is an independent firm of  
accountants, tax advisors and  
business advisors

114 High Street  
Cranfield  
MK43 0DG  
Tel 01234 752566  
Fax 01234 752577  
Jonathan@vowles.co.uk

