

The Lagom Finance  
Guide to Subsistence  
and Entertainment



Breathe

FINANCE  
Lagom.

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TO

INTRODUCTION

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# Introduction

## SUBSISTENCE AND ENTERTAINMENT

Food, drink and travel can be some of the simplest pleasures in life.

Well, at work it's no different. Whether you're on-the-go, entertaining some potential customers or celebrating with staff, it's common that you'll be eating and drinking on the way.

But it's all a little less appetising when it comes round to sorting out your business expenses. There are some meals which HMRC are happy to see as a necessary cost of running your business - and therefore eligible for tax relief — and some which aren't.

So, when can you claim back tax on food, drink and travel and when can't you? It's all about whether your purchase can be classified as subsistence or entertaining as well as who is involved.

## "What's my favourite thing to make for dinner? A reservation"

- MICHAEL KORS

**Subsistence-** Meals, travel and accommodation you and your employees pay when travelling outside of your normal area of work. You can claim back tax on any purchase classed as subsistence.

**Entertaining-** Meals, events and other costs you've paid to entertain with other customers, contacts or employees. You can only claim back tax on entertainment when it's meant only for staff of your company.

Alright, so that's for starters. But, as we know, HMRC can be famously fussy when it comes to the reason you made a purchase, and there are a few details to keep in mind to avoid feeling queasy when it comes to tax time.

So read on for some palatable tips on claiming back the tax you're entitled to, getting the most out of entertaining your employees, and to make sure that when the christmas party comes around you're making a toast, and not — you know — making toast.

*Becki*

2021

SUBSISTENCE -  
WHEN CAN I  
CLAIM?

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# SUBSISTENCE - WHEN CAN I CLAIM?

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Alright, let's look a little closer at that word — subsistence — and come up with a few ground rules that will mean you and HMRC are reading from the same menu.

In order to classify food and drink as subsistence, it needs to be:

- The result of needing to travel for work
- Consumed by you or an employee of your company
- Reasonable and not excessive



## THE RESULT OF NEEDING TO TRAVEL FOR WORK

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You can claim subsistence for accommodation, food and drink when your expenses are business-related and take place outside of your normal workplace or commute.

What's your normal workplace? According to HMRC, it's anywhere you spend 40% or more of your work hours. So, if you or an employee of your company is travelling somewhere away from your regular office as a one-off or fairly infrequently, remember to keep your receipts and look to claim back the tax cost of that journey and the food you ate to get there and back.

However, if you're working close to home or travel to the same office fairly frequently, it could be considered part of your normal commute and therefore unsuitable for subsistence claims.



## CONSUMED BY YOU OR AN EMPLOYEE OF YOUR COMPANY

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You can only claim subsistence for yourself and salaried employees of your company — not for subcontractors, shareholders and other networking contacts who aren't on your company payroll.

However, just because someone from another company is at the dinner table on your business trip, it doesn't mean that you can't claim your own meal as subsistence. As long as you fulfil the other criteria, feel free to split the bill and claim your and your employees' own food as subsistence and the other meals as entertainment.

## REASONABLE AND NOT EXCESSIVE

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Subsistence is meant to be a bit of a helping hand for those times you need to go out of your way for your company. Well — as the saying goes — don't bite the hand that feeds you, and only claim genuine expenses for meals that would be reasonable to grab on the way from A to B.

So a meal at Nandos or a few bits from Pret are definitely OK to claim. The tasting menu at Gordon Ramsey's or a dinner at the Ritz, however, are likely to raise a few questions and some deeper investigation into the tax you're claiming back.

And remember — eating not-excessively doesn't mean eating meagrely. If you're away from home overnight, you can order a glass of wine (or two!) and a dessert with dinner and still feel comfortable claiming subsistence on your meal. Popping champagne corks, on the other hand, will probably be seen as a bit too excessive for your business trip.

There's also a little allowance catered for tipping the people helping you get to your destination. A £5 tip to waitstaff or a taxi driver is seen as incidental to a dinner or journey and can be included in your subsistence claim.





# SUBSISTENCE - HOW MUCH CAN I CLAIM?

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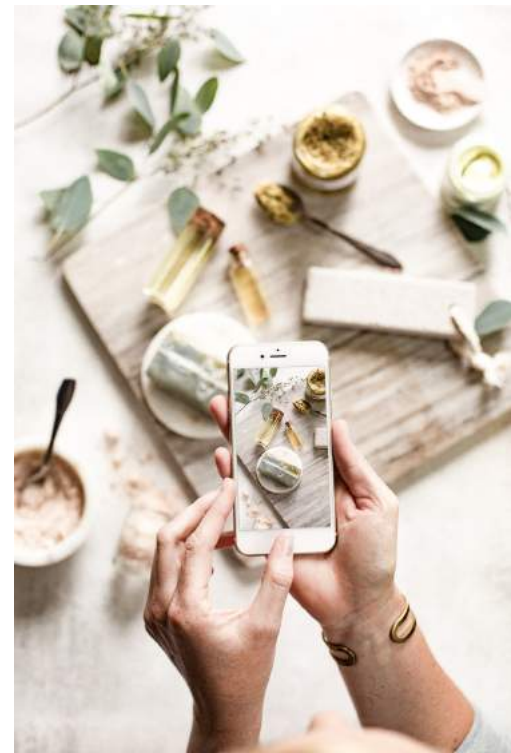


# SUBSISTENCE - HOW MUCH CAN I CLAIM?

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So you've seen the guidelines on when you should be looking to claim travel, food and accommodation as subsistence. But is there a set allowance on how much you can claim over a given time period?

Well, good news — there's no limit on how many times you can claim, or the total amount for all of your company's yearly subsistence claims. Of course, if you're travelling very frequently you'll naturally need a bit more assistance in what you claim for the cost of getting around on your work-related journeys.



If you're caught on-the-run and don't pick up a receipt for your subsistence purchase, don't worry — you can still claim back on the cost of your meal if the total is less than £25 and you can prove you were travelling away from the office on that day. Don't make it a regular habit though! My advice is to always make sure that you've got proof of your purchase — it'll pay off in peace of mind when it comes round to claiming back VAT on these expenses.



ENTERTAINMENT  
- WHEN CAN I  
CLAIM?

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# ENTERTAINMENT - WHEN CAN I CLAIM?

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So far we've mainly been talking about subsistence — the cost of travelling to a non-permanent place of work. But there will be times that you're a little closer to home — celebrating with staff or networking with customers. Maybe you'll be having a meal together, hitting the town for drinks or going out to see some sport or theatre.



And again, there are some situations where you should be looking to claim back tax for the cost of entertaining, and some which won't ever be suitable for claiming tax relief or VAT.

The question to ask yourself here is — “who are these entertainment costs for?”

If your general goal is to celebrate and encourage more great work from your employees, then that's 'staff entertaining'. Food, drink and other entertainment for your company's staff is seen as morale-boosting, good for business and — to an extent — an expense that's appropriate to claim tax for.

But if instead you're entertaining for business needs — hosting valued customers, or networking to drum up some new business — then those costs are considered 'business entertaining' instead, and you can't claim tax relief or VAT for them.





These rules still apply, even if you've got a mix of employees and non-employees at your event. If you're taking some of your staff along to host a dinner with some potential new customers, then the purpose of that event is still 'business entertaining', and none of the expenses will be eligible to claim tax back for. But if you're celebrating a company milestone with your employees, and some of your customers just happen to be in town, then the money you spend on your staff (but not the customers) is valid for a tax claim.

Again, be careful to keep a record of your entertainment expenses. I know — the receipts are rarely the most enjoyable part of the party. But tax claims for staff entertainment aren't an all-you-can-eat buffet, and it'll be important to know roughly where you stand when it comes to the end of the year and everyone starts asking about the Christmas party.





# ENTERTAINMENT - HOW MUCH CAN I CLAIM?

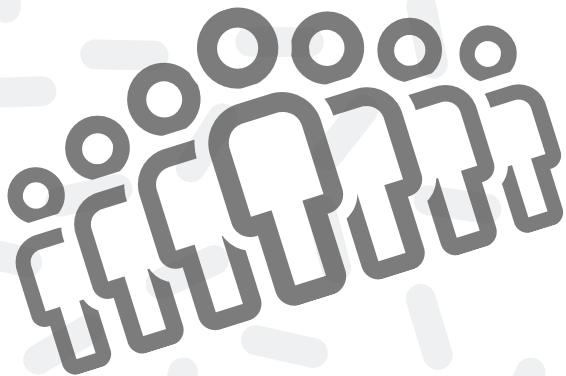
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# ENTERTAINMENT - HOW MUCH CAN I CLAIM?

Alright, so we've spoken about the difference between 'staff entertaining' and 'business entertaining'. But even when you're just entertaining your employees, HMRC won't allow for limitless tax claims.

The magic number here is £150. That's the amount you can spend on average per employee per year and still claim back the tax on the cost of staff entertainment. If you exceed that threshold, then any further expenses will not be eligible for tax relief.



That means it's important to keep track of roughly how much you're spending on staff entertainment throughout the year. If you throw a big party for your employees in the summer, it may mean that you might have to be a bit more frugal when it comes to Christmas. Just keep an eye on your total spend, and make sure you've got the receipts to back it up.

This can be even less appetising when you consider how these events add up to an exceeded total. Say that you've spent an average of £70 per employee on a big party in the summer months, and now, looking at your expenses from the Christmas party, you see that it averages out at £90 per employee. This comes to a total of £160 — just a little bit over the limit.





# celebrate

Unfortunately, you can't just claim the tax back on the £150 per employee you're entitled to, and just miss out on the extra £10. Instead, you'll need to pick one of those two events and not claim for it at all. That can be a big hit to the amount you'd be receiving in reclaimed tax, and not something you'll want to be surprised with at the end of the year.

But with a bit of clever calculating and a keen eye for what you've spent already, it shouldn't be too difficult to keep under the £150 limit — especially with the few other criteria that HMRC set on what makes one of these parties eligible for tax relief.

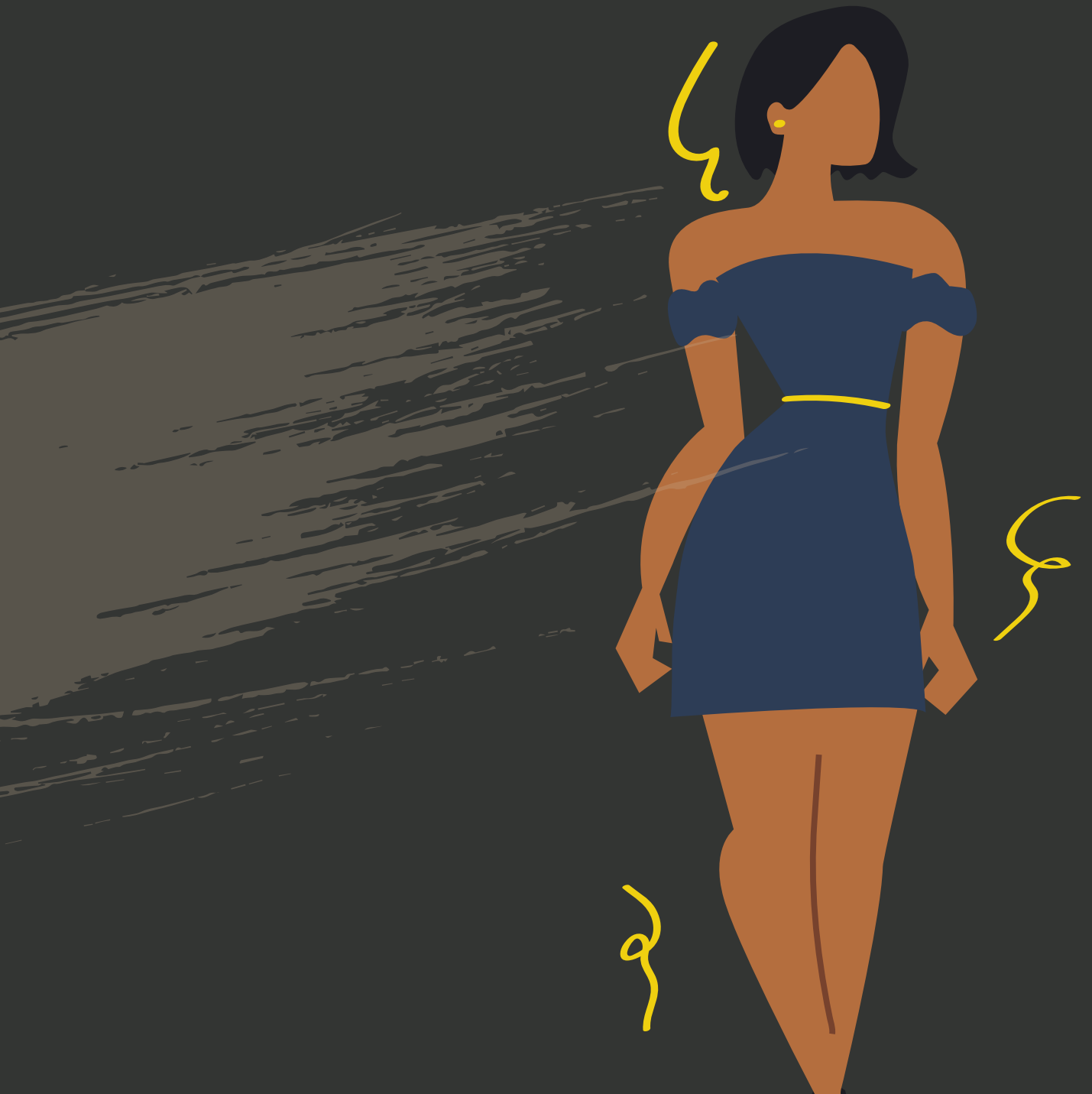
First of all — it needs to be a yearly celebration. These kinds of tax claims aren't suitable for casual catch-ups or impromptu drinks on a Friday. This should make the total spend easier to keep track of, as it'll be just a few large events rather than lots of smaller ones.

Secondly, these annual parties need to be open to all members of staff from a particular office. There's no skipping invites here, and no celebrations meant specifically for management while excluding others in the business. This makes sure that your total spend per employee is divided into equal benefit for all of your staff members — not just for a chosen few.



# CONCLUSION

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# CONCLUSION

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Alright, that covers the essentials of subsistence and entertainment, and knowing which situations are suitable for reclaiming some VAT. Of course,

if you're still feeling a little overwhelmed by HMRC's smorgasbord of rules and exceptions, do feel free to get in touch. Here at Lagom Finance, not only are we the biggest fans of delicious food, but we're also experts in helping small businesses make the most of their money.

Bon appétit!

*Becki*



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