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This month Robert Bradley takes a personal look at the “house” rules behind the current controversy over MP’s expenses and the tax deductions available to employees.

MP’s: a law unto themselves?

MP’s expenses are subject to the rules of the Green Book: a guide to members allowances: These are based on a number of general principles of personal conduct which are very worthy but have apparently been disregarded by some MP’s. From a tax point of view though the rules are familiar.

- Claims must reflect actual usage.
- Claims may only be made for expenditure that it was necessary for a Member to incur to ensure that he or she could properly perform his or her parliamentary duties.
- Claims for personal accommodation expenses should only be made to reimburse members for the additional expenses necessarily incurred in staying overnight away from their main home for the purpose of performing their parliamentary duties.
- All expenditure for which reimbursement is claimed “should be wholly exclusively and necessarily incurred for the performance of a Member’s parliamentary duties, and therefore deductible for tax purposes.

In summary there must be actual expenditure and it must be at least “necessarily incurred” for the performance of the parliamentary duties. In practice this has clearly not always been the case, given the number of MP resignations and embarrassing disclosures of non-legitimate expense payments.

And the rest of us?

An employee wishing to claim a tax deduction for expenses should bear in mind that an expense is only deductible for tax purposes if he/ (she) is obliged to incur the expense and if the amount claimed is incurred wholly, exclusively and necessarily in the performance of the duties of his/(her) employment.

In a recent tax case a qualified registrar in general surgery failed in his claim to deduct certain examination fees and associated costs, even though passing the exam was an obligatory part of his employment contract!

A tax judge has been quoted as saying the words allowing a deduction for employee expenses “are to my mind, deceptive words in the sense that when examined they are found to come to nearly nothing at all”.

This clearly should make MP’s think again.

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