

Recovering VAT on Staff Expenses

Although the VAT rules normally prevent you reclaiming VAT on supplies that are not made directly to you, there are certain circumstances when the rules are relaxed.

Subsistence Expenses

For instance, the VAT element of subsistence expenses paid to your employees may be treated as input tax. In order to qualify for this concession, employees must be reimbursed in full for their actual expenditure and not merely receive round sum allowances.

VAT invoices (which may be made out to the employee) must also be obtained. Where the business pays only a proportion of the actual cost incurred by the employee, the VAT must also be apportioned, so that VAT is recovered only on the amount reimbursed to the employee.

Reimbursement for Road Fuel

The VAT legislation permits you to treat as your own supply road fuel which is purchased by a non-taxable person (such as an employee) whom you then reimburse for the actual cost of the fuel. This allows you to recover input tax when you reimburse your employees for the cost of road fuel used in carrying out their employment duties.

Again, VAT invoices must be obtained.

Mileage Allowances

The legislation also enables you to reclaim the VAT element (or a reasonable approximation) of mileage allowances paid to employees in respect of business journeys. VAT can only be recovered on the road fuel element of a mileage allowance, and not in relation to any part of the mileage allowance attributable to maintenance or repairs.