



A taxing issue

Following a recent landmark Tax Tribunal where a doctor was denied a tax deduction for travel costs, Alan Rajah from Lawrence Grant, explains why you shouldn't be claiming for your journey to work



You may have read recently about a landmark tax tribunal where a doctor lost his case to obtain a tax deduction for the cost of travelling between

his home, where his private office was located, and the private hospitals where he regularly held consultations and oversaw patient care. The first-tier tribunal ruled that Dr Samadian's business mileage claims were not wholly and exclusively allowable expenditure.

To rub further salt into the wound, he was also denied a deduction for the costs of travel between the NHS hospital where he was employed, and the private hospitals.

Dr Samadian works in the NHS, (and like so many other typical practitioners), also has a private practice, using his own home and principally, working at two nearby private hospitals.

In an enquiry that had lasted the best part of seven years, the HMRC challenged the doctor's claim that 65% of his mileage was for business purposes by questioning if the travel between his home office, the NHS hospital and the private hospitals was actually business related.

Whilst Dr Samadian argued that he had a dedicated office in his home for his private practice, HMRC did not accept the home office

could be a starting point for calculating private practice business mileage. Neither did journeys between NHS and private hospitals qualify.

HMRC did accept however, that Dr Samadian had an office at home and that it was used in his self-employment, but sought to distinguish between journeys that were regular or routine - like those to the private hospitals, and those that were irregular, like attending to a patient at their home, or a meeting engagement with his bank manager.

What could now turn out to be a landmark decision in the interpretation of 'wholly and exclusively' business expenditure, this decision may be appealed by the doctor and we could see further developments as a consequence.

So what does this mean? When you are self-employed you can only claim the entire cost of a business expense if it is incurred 'wholly and exclusively for the purpose of the trade' if the expense is of a 'revenue' nature, rather than a 'capital' purchase. Allowable costs would include, for example, hiring of an operating theatre or paying an anaesthetist.

However, if expenditure relating to your self-employment is for both private and business use, you cannot claim a deduction unless you can separate the business element.

Travel costs from home to work are not an allowable expense, however, if home is also your base of operations, the position becomes rather more complex. Accountants will need to adjust their thinking on wholly and exclusively in situations where self-employed professional clients work at home, but also deliver their expertise at another location on a regular basis.

This case could set a precedent so it is important that self-employed aesthetic practitioners, particularly those who are working from home or are mobile, fully understand the tax laws so that they do not find themselves in the same situation as Dr Samadian.

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