

Telephones

The provision of one mobile phone is exempt from any tax charge and does not need to be declared on the P11d each year.

The exemption covers the telephone itself, any line rental and the cost of private calls paid by the employer on the telephone.

For the above exemption to apply the following must be adhered to:

1. The number of phones provided for private use is restricted to one
2. Mobile phones provided to members of your family and household are excluded
3. To qualify, the contract must be in the name of the company and paid from the company bank account.

If you cannot obtain the contract in the company name but do pay for it from the company account then this may still be free of a tax charge (it does have to be declared on the P11d each year). However, you would have to prove to HMRC, if investigated, that the contract was taken out to be 'wholly and exclusively' for business use and that there were no personal calls made on the phone. In practice this may prove difficult.

If you wish to claim for a personal mobile phone that is paid from a personal account, then you can only claim for the business calls, you cannot claim for the rental cost or any private calls.

This can get quite complicated due to the common practice of package deals with "free" minutes etc. as you have to work out the overall percentage of business calls (including ones covered by any free minutes); this is the claimable percentage of any additional charges over and above the normal line rental that can be claimed.

Examples:

The package taken out costs £30 per month and includes 60 free minutes.

1. The bill for March is £30, with 50 minutes used in total (30 private, 20 business). No claim can be made because no extra expense has been incurred in making the business calls.
2. The bill for April is £40, with 100 minutes used in total (40 private, 60 business). The claim will be £6.00, which is 60% of the extra call charges, because 60% of the total call time was made up of business calls.





We would recommend that you obtain a company mobile phone and so claim 100% of the costs. Remember that this must be in the company name and paid from the company account.

Since the emergence of smartphones into the consumer mobile phones market from around late 2007 onwards, HMRC had considered that they were to be treated in the same way as personal digital assistants ('PDAs').

HMRC now accepts that smartphones satisfy the conditions to qualify as 'mobile phones'. Developments in PDAs following the penetration of smartphones into consumer markets from late 2007 onwards mean that many modern consumer PDAs are now also likely to be smartphones. This exemption will not apply to devices that are solely PDAs.

It should also be noted that there are many types of devices that have telephone functionality which do not qualify as mobile phones. The definition does not cover apparatus that is designed or adapted for a primary purpose other than transmitting or receiving spoken messages, even if that apparatus is also capable of being used in this way.

Examples of apparatus that does not fall within the definition of a mobile phone include satellite navigation devices, devices that are solely PDAs and tablet and laptop computers. In general, devices that use Voice Over Internet Protocol ('VOIP') systems to make and receive phone calls will not satisfy the primary purpose test.

In practise HMRC will allow the cost of one smartphone devices provided it is provided 'wholly and exclusively' for business use and meet the criteria mentioned above.

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