Expenses policy claim guide & template

You may already have an expenses policy. It’s likely to be that document you scribbled down some years ago. It’s likely to be lurking in a dark corner of your company’s intranet or burrowed away in a long forgotten shared folder.

And this is the danger with an expenses policy.

We tend to create a policy and then forget them. But an effective policy needs to be organic - it has to be regularly updated and modified over time to reflect changes.

These changes include:

- Introduction of new government legislation
- Changes in the business environment
- Fluctuations in travel and accommodation costs
- Changes to technology

By failing to adapt to these changes your expenses policy is liable, over time, to becoming increasingly inefficient and ineffective; leaving your organisation open to unnecessary expenditure and risk.

It’s also likely to be the cause of grumbles and moans for employees having to deal with the outdated policy; creating the perfect breeding ground for exaggerated and fraudulent claims.

So the purpose of this guide is to get your expenses policy back into shape. To give it a much needed health check and tighten up those areas which are liable to have become flabby.
The end result is a robust expenses policy which is designed to handle all of the challenges posed by today’s business environment and to future-proof it for whatever may lie ahead.

Whether you’re reviewing your policy or starting from scratch - we'll take you through the whole process and even provide a template policy you can use as a guide.

This document is split into two sections:

1. **Policy Overview** - Back to basics look at key requirements of a robust policy

2. **Policy Template** - Sample guide to provide a foundation for tailored policy

### Policy overview

The most effective way to tighten up your expenses policy is to go back to basics and ask some of the most fundamental questions:

- What is it?
- Why is it needed?
- How to make it work?

It's by stripping away all the detail and focusing on these key concepts that you can refocus your policy and make sure it's doing what you need it to do.

#### 1. What is it?

An expenses policy is a clear and concise outline of your organisation’s rules and principles towards business related expenses. It gives employees a general overview of what’s expected, as well as specific guidance on what can and can’t be claimed for.

It provides practical guidance on how claims should be made and sets out the company’s role in processing and monitoring these claims.
2. Why is it needed?

The primary aim for an expenses policy is to provide a fair system of compensation for employees who incur personal expenses for business reasons. Without an effective policy an organisation leaves itself open to spiralling costs and legal risks.

The key objectives of the policy, therefore, are to:

- Be fair
- Control costs
- Prevent fraud
- Ensure compliance with tax and legal obligations

If employees view the policy as being fundamentally fair, it prevents expenses from developing into a breeding ground for low, morale, discontentment and exaggerated claims.

With a robust and fair policy in place, everyone knows where they stand. They may not agree, or like, aspects of the policy but they know exactly how it works, what they can expect from the company and what it expects of them.

**Fact: Research suggests that implementing an effective expenses policy reduces an organisation’s transport and entertainment costs by up to 20 percent.**

**Legislation**

**The Bribery Act 2010**

Described as the toughest anti-corruption legislation in the world, this carries the threat of unlimited fines and a 10 year prison sentence for companies who breach the regulations.

It places a responsibility on all British companies to take ‘adequate procedures’ to prevent any
kind of bribery from taking place. The risk, where business is conducted within the UK, is liable to be low but increase when operating overseas.

The Government advises a common-sense risk assessment to find out about the country involved and any known issues with bribery. A good starting point for this is the Business Anti-Corruption Portal: http://www.business-anti-corruption.com

This legislation is particularly relevant for expenses as it involves making sure that all expenses claimed are reasonable and bona fide; leaving no room for payments to be perceived as bribes.

A robust expenses policy therefore needs to make employees aware of these rules and place a system in place to monitor and record all expense payments.

HM Revenue & Customs (HMRC)

The principle area of law relates to Income Tax. Under the general tax law, expense payments rank as taxable remuneration.

A taxpayer may claim a deduction for expenses incurred wholly, exclusively and necessarily in the performance of duties of the employment. These rules are designed to satisfy HMRC requirements.

It is an employer’s responsibility to ensure that costs are controlled and that expenses cannot be deemed to be extravagant. To set firm limits for every eventuality will always be difficult and will never suit every occasion or circumstance for expense reimbursement.

Data Protection Act 1998

When dealing with personal information relating to expenses, the eight principles of the Data Protection Act apply. This means data must be:

- Fairly and lawfully processed
• Processed for limited purposes
• Adequate, relevant and not excessive
• Accurate and up to date
• Not kept for longer than is necessary
• Processed in line with your rights
• Secure
• Not transferred to other countries without adequate protection

The act also makes an important distinction between Data Controllers and Data Processors. Though they sound alike, it is useful to know that Data Controllers are the companies who own your data (they decide what information they need and how they will process it) and that Data Processors are responsible for simply processing the data.

Making it work

What makes an effective policy?

It sounds obvious, but the most effective policies are those that people adhere to. It’s something that is understood, accepted and followed.

It’s when there’s a perceived unfairness that employees are most likely to bend the rules; something which British MPs demonstrated during the 2008 parliamentary expenses scandal.

The most effective policies are therefore those which employees view as being fundamentally fair. They may not agree with all the details but it acknowledges the day-to-day realities of the working world.

"From working with hundreds of companies over the years, the key factor for an effective
expenses policy is that perception of fairness. Employees don’t have to like the rules but they do need to see them as being fair.”

Sanjay Parekh, co-founder and MD of webexpenses

Fact: Research by Gallup shows that UK businesses lose around £230 million per year to inflated claims.

Fostering ‘buy-in’

Allowing employees to have some level of input into the process of creating or revamping an expenses policy can help engender acceptance. Rather than being something imposed from above, to be battled against; it’s viewed as more of collaborative agreement.

This can be done with meetings or surveys to gauge opinions or by holding meetings where the policy is communicated and explained. It provides a way to highlight and address any issues before they’re allowed to become costly problems.

Communication

One of the biggest challenges in creating an effective policy is communication. Because no matter how fair, reasonable and robust the policy is; it’s of little use if nobody has read or understood it.

And left to our own devices, few of us will voluntarily take time out to read a long worded policy document on the intricacy of expenses.

One way to avoid this is to avoid the trap of creating an overly long policy document. Also to create something which is designed to be read rather than adopting a cold and authoritarian tone.

It should be a simple to understand and user-friendly guide to helping your employees understand your policy. This means it should:
• Avoid the use of unnecessary jargon and corporate speak.

• Be short and concise, whilst providing all relevant info.

• Find a tone which is appropriate for your organisation’s culture.

“An expenses policy is no good if it only exists in the head of an FD. It’s something that has to be actively and effectively communicated with those people who need to adhere to it.”

Sanjay Parekh, co-founder and MD of webexpenses

**Accessibility**

It should be easily accessible and provided in a range of different formats. Care must be taken, however, to ensure that an updated document can be easily distributed and old versions removed.

The ideal solution is to make it web based via an Intranet page or password protected web page.

**Employee Interaction**

To ensure compliance, the introduction of the expenses policy and the key elements should be an integral part of the employee induction process.

New employees should be taken through the key elements of the policy, provided with documentation and shown how to access the policy.

Online tutorials can also be created which also test the user’s knowledge to make sure they have absorbed the information properly.
Maintenance

Once you have created an expenses policy and made sure your employees have read and understood it, you need to make sure it’s maintained.

Integrate

Web-based expenses solutions, such as that offered by webexpenses, offer a cost effective alternative to the paper process, delivering significant cost saving benefits:

• An organisation can easily enforce compliance with its expenses policy, resulting in lower Travel and Entertainment spending. Moreover, because the system provides transparency over the claims submitted, self-policing is more rigorous than with a paper based process.

• The processing cost savings are significant, with the time taken to create, approve and process expenses falling by over 50%.

• Because a web-based solution entails no software implementation, the implementation process is quick and the cost low.

• Employees’ claims can be populated with corporate credit card spending and out-of-pocket expense items can be submitted using any internet browser, the offline version or any mobile phone by sending an SMS text message.

• Mileage verification ensures employees claims are always accurate, receipts can be attached electronically saving admin costs, you can measure your carbon footprint and you can have one expenses solution in multiple countries.
**Who should take ownership?**

This will depend on your organisation’s particular size and structure but a typical set-up for a medium sized company would be:

**Sponsor** - This is the person who takes overall ownership for the creation and maintenance of the policy document.

**Writer** - A person who is tasked with the creation of the policy document, ensuring it’s presented in a clear and concise manner.

**Approval** - This can be an individual or committee which represents senior management. They provide feedback and overall approval.

**About webexpenses**

From day one, webexpenses has had one objective - to make expenses something you effortlessly control; not a costly drudge you battle against.

It is an approach which has fuelled webexpenses’ growth over the past decade; it’s now the tried and tested solution for hundreds of clients throughout the world - from small organisations to large multi-nationals.

By giving organisations the tools to control expenditures, webexpenses clients are able to increase efficiency, stabilise T&E spending and reduce operational costs; providing a speedy return on their investment.

**Exceeding expectations**

The foundation of webexpenses’ success has always been its powerful and robust software solution. But at the heart of the company is a commitment to exceed expectations - to go that bit further to ensure our clients' needs are met.
Each and every one of our users, no matter how large or small the organisation, is given the same level of personal service from our client support team. This commitment has allowed webexpenses to record some of the industry’s highest ratings for customer support and a 97 percent client retention rate over the past five years.

**Next step**

For more information on how we could help you manage your expenses, just contact us.

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Please Note: The information contained in this document is accurate at the time of publishing and is meant as guidance only. We would advise that for any specific information you seek advice from a professional body or adviser, in particularly to stay up to date on all legislative changes.
Expenses Policy Template

Note: This template is a practical example of a typical expenses policy – how it is formatted and written, along with the areas it covers. Individual policies will vary greatly, however, on the specific needs, size and structure of each organisation.

1. Overview and objectives

This document provides guidelines and establishes procedures for employees incurring travel, entertainment and related expenses while on company business.

The company will reimburse all approved and reasonable expenditure incurred in undertaking company duties. The guidelines enable controlled reimbursement to take place and indicate the evidence and the authorisation required.

Amendments to the policy, procedures and expense levels should only be made with reference to the senior management team.

The objectives of the company are to:

• Provide regular reimbursements to employees

• Control costs

• Prevent fraud

• Ensure the company complies with its tax and legal obligations

The principle area of law relates to Income Tax. Under the general tax law, expense payments rank as taxable remuneration. A taxpayer may claim a deduction for expenses incurred wholly,
exclusively and necessarily in the performance of duties of the employment. These rules are designed to satisfy HMRC requirements.

It is Management’s responsibility to ensure that costs are controlled and that expenses cannot be deemed to be extravagant. To set firm limits for every eventuality will always be difficult and will never suit every occasion or circumstance for expense reimbursement.

2. Supporting evidence

An expense claim must be supported by original receipts, invoices or similar. Credit card items should be accompanied by an itemised receipt giving full details of VAT numbers and amounts.

In order for the Company to claim back VAT, we must have proper original receipts to accompany allowable claims. To meet the HMRC requirement, each receipt or invoice should list:

- VAT registration number
- Description of goods/services supplied
- The total charge, including VAT
- Name and address of supplier
- The date of supply

Individual departments will bear the cost of all reimbursable expenses incurred by their own employees and any VAT which cannot be recovered due to lack of correct sales vouchers.

3. Overnight accommodation

Where possible, it will be expected that employees use hotels where a group or corporate rate
has been negotiated. If this is not possible, then a common sense attitude to expense will be expected when making bookings.

Evening meals should be chosen from the fixed price (table d'hôte) menu or equivalent when available. The company does not wish to dictate a set limit on evening meals, but claims must be reasonable and managers will not authorise any claims deemed to be extravagant.

4. Overnight incidental expenses

When staying away from home overnight on business, it is recognised that employees will be likely to incur some expenses over and above the basic costs of bed and meals. The Company will reimburse costs for drinks, newspapers and/or telephone calls, supported by receipt up to the current HMRC limits, which are:

- UK £5.00 per night
- Overseas £10.00 per night

Costs for videos and any other entertainment are considered taxable and therefore the company will not reimburse such expenses.

Hotel bills would normally be expected to be paid by the employee and claimed for through reimbursement.

5. Business and staff entertainment

Every claim for entertaining (Staff and Business) must show the business purpose, where the event took place, plus the name, status and company of every person entertained.

Receipts must be provided. Where two or more Company employees are engaged in entertaining which is chargeable to the company, then the most senior person present should settle the bill.
The Company will reimburse all reasonable Business Entertainment of customers/suppliers outside the company.

In most cases, the entire cost of an entertainment expense should be charged to the category ‘Business Entertainment’, including the costs of the staff member’s meal.

However, if the number of staff attending the meal exceed the number of clients, then the costs of the ‘excess’ staff members should be charged to ‘Staff Entertainment’. For example, at a meal for four guests and five company employees, eight meals count as Business Entertainment and one as Staff Entertainment.

Entertaining of staff, with the exception of an Annual Event for example a Christmas Party, is a taxable benefit. The company will meet the tax liability arising from reasonable and duly authorised staff entertaining.

Any lunches provided in-house for members of staff are classified as staff entertaining and are taxable. Names of attendees should be recorded. The company will meet the tax liability arising from this benefit.

Business entertainment includes gifts and hospitality of any type. When customers/suppliers stay at hotels as guests of the Company, their accommodation and meals will be paid for by the Company.

6. Domestic air and rail travel

Second Class should be used for all journeys other those journeys in excess of 3 hours for which First Class may be used.

All bookings for air flights should be booked through the company travel agency. An exception to this rule is bookings made online with so-called ‘low cost’ airlines.

A minimum of three working days’ notice of airline ticket requirements is desirable.
7. Overseas air and rail travel

All bookings for overseas travel, including tickets for transportation, hotel reservations and any other reservations should be made through the company travel agency.

Reservations will only be made against an approved Travel Application form.

For travel within Europe, each trip must be authorised by the appropriate Director. Three working days’ notice of airline ticket requirements is desirable.

For travel outside Europe, each trip must be authorised by the appropriate Director. Five working days’ notice of airline ticket requirement is desirable. Employees will arrange with the company travel agency to book the most cost effective means of travel.

Class of flight is determined as follows:

- Economy class will be used for flights of less than 3 hours duration.
- Economy Plus or equivalent will be used for flights between 3 and 5 hours.
- Lowest logical business class fare will be used for flights of more than 5 hours.
- First class flights may only be taken if the upgrade is free.

Class of rail travel is determined as follows:

- Second class will be used for journeys of less than 3 hours.
- First class will be used for journeys longer than 3 hours
- For overseas rail travel, employees may travel first class and book sleeper accommodation.

Sea travel will not normally be used where there is an alternative service by air. The use of short sea routes may be justified if due to disruption of air services or for any similar reason.
8. Foreign currency

If foreign currency is required it is often more convenient for staff to obtain this from a currency exchange or ATM abroad. The company will reimburse all costs associated with this conversion on receipt of appropriate receipts or credit card statements.

If foreign currency is required from the company, a minimum of three working days is required for currency to be ordered from the bank. Currency requests should not exceed £100.

Excess should be taken in the form of traveller’s cheques. A foreign currency advance must be cleared before an application is made for another cash or foreign currency advance.

9. Other travel-related costs

Staff with Company cars or receiving a car allowance will be expected to use their cars to and from the airport, unless parking fees would exceed the cost of a private taxi. Staff without company cars or a car allowance will be expected to use public transport or private taxi cars to and from the airport.

Claims may be made for reimbursement of the cost of applying for a visa for staff who are required to travel overseas on Company business. Note that the expenses process should not be used to pay an individual for work done, such as casual work. All such payments must be made via the payroll system and are liable for Income Tax and NI considerations.

10. Company car policy

The Company will reimburse mileage at the following rates:

Company car drivers 25p per mile

Car allowance recipients 25p per mile

Use of Private Car 45p per mile for first 10,000 miles in tax year 25p per mile thereafter.
Passengers at 5p per mile?

Petrol for private journeys will be paid for by the employee. The private mileage deduction for staff with petrol cards is 25p per mile.

The Company will reimburse servicing in line with the dealer recommendations and car parking expenses in connection with business calls.

The company will not pay any fines in connection with Road Traffic Act offences nor will the Company reimburse car wash or valet costs. It is the responsibility of the driver to ensure the car in his care is maintained to a reasonable level of cleanliness.

Employees who receive a Company Car Allowance are expected to have a vehicle available for use when required to carry out their duties. This includes travel to and from venues associated with the business. Applicable insurance for that vehicle is the responsibility of the employee to arrange.

When two or more employees are travelling together and one is the recipient of a company car or car allowance, that employee is expected to drive and account for the mileage.

11. Training courses

Accommodation and transport in conjunction with training courses is subject to the same rules as for other business-related travel.

12. Membership of Professional Bodies

The Company will pay subscriptions to approved professional bodies on behalf of employees where an employee is requested to take up membership by the Company, in the interests of the Company.

In some cases, subscriptions paid may be taxable and the employee should be aware that he may bear the additional cost.
13. Telephone-related costs

When a private telephone is used for business calls, employees may claim the cost of business calls plus VAT quarterly, on submission of the telephone bill.

Where significant business is conducted from a private address a separate business line must be installed and the bill addressed directly to the company. The company will in these circumstances pay the rental and all calls plus VAT.

14. Purchases of equipment

Subject to the cost centre Manager’s approval, various pieces of equipment, including IT equipment, may be purchased for employees’ use at work or home. All such purchases should be made through the Company Administrator using a Capital Expenditure form and purchase order and not by including on an expense claim form. When an employee leaves or changes job, equipment must be returned to the Human Resources department for redeployment.

15. Credit card fees

The annual fee for a personal credit card to be used on Company business is not refundable by the company.