



# COMPANY DIRECTORS

## YOUR HEALTH IS YOUR WEALTH!

HOW THE TAXMAN CAN CONTRIBUTE TO YOUR HEALTH

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**M**any landlords now operate a company, either as a property management agent, to directly own rental property, or possibly a consulting company. And, many such company owners and directors are of an age where current and future health concerns are as important as financial concerns.

**This article sets out some of the ways in which a tax deduction may be gained for health-related expenditure for company owners.**

Many people are more aware of the need to take care of their health as well as their finances as they get older. It's a cliché, but the phrase *your health is your wealth* is so true and we all take good health for granted at times.

However, in tax terms, costs associated with maintaining a person's overall health and wellbeing are generally considered to have a duality of purpose (meaning: are mainly private costs with only a secondary business-related aspect). So any such expenditure is treated as a taxable Benefit-In-Kind (BIK) (meaning: both the employee and the employer pays tax on the value of the benefit). However, there are some benefits that are tax-free or tax-efficient to take ...

### 1 ANNUAL MEDICAL / HEALTH ASSESSMENT

A company can pay for an employee's annual medical / health assessment without a taxable BIK arising. One assessment per tax year is allowed, and there is no specific limit on the cost of such a check-up. BUPA, for example, offer various medical assessments which involve a full medical (blood pressure, cholesterol, liver and kidney function, ECG heart scan, etc) plus general health review, with follow-up support and checks for certain cancer risks.

Eye tests are also allowable business expenses that don't create a taxable BIK. Spectacles are allowable expenses if confirmed by the optician as being required specifically for computer work.

### 2 LIFE INSURANCE

A company can purchase life insurance as a Relevant Life Policy for an employee, and the premiums are tax-deductible but without the proceeds of any pay-out being taxable as company income. Usually, such cover also includes diagnosis by a medical doctor of a terminal illness, with a pre-death payout.

A policy can be set up to cover specified individuals, or a blanket policy to cover all employees. It can be written in trust, so that any payout falls outside of the employee's estate for inheritance tax purposes. There is no specific limit to the value for a Relevant Life Policy.

### 3 COMPANY BICYCLE

A company can hire or lend bicycles to employees without a taxable BIK arising, as long as the bikes are available to all staff and are used mainly (50%+) for business use. Personal use is allowable, albeit no records are required to prove the general use.

The allowable cost includes the bike itself, plus bike-related equipment (helmet, lock, etc). The bike itself remains a company asset, but the cost of purchase and equipment is an allowable business expense for the company.

## 4 HOTELS, TRAVEL AND SUBSISTENCE

Travel and subsistence costs must be incurred wholly, necessarily and exclusively for business to be claimable as business expenses, but not treated as taxable BIKs for the employee. Travel generally means train/tube/bus fares, hotel stays, etc. Subsistence means reasonable cost/quality food and drink, rather than luxury fine-dining!

However, it's permitted to spend on travel and subsistence in a 'healthy' way – such as:

- **paying for first class train travel to allow for quiet working and relaxation**
- **choosing to stay in a hotel with a pool or gym, or one that offers quiet rooms and better bed linen to aid sleep**
- **choosing to eat in healthier restaurants**

Even if these options cost more than others, so long as the overall spend is reasonable, the costs are allowable. In other words, it's fine to derive some incidental personal benefit from travel and subsistence expenditure – there is no need to live on rice and beans and stay in a hovel when travelling on business!

## 5 TRIVIAL BENEFITS

Trivial benefits are low-value (<£50 each) gifts which are not deemed to be taxable by HMRC, such as flowers, occasional lunches, Christmas or leaving gifts, etc. The gift must genuinely be a gift, and therefore not part of any contract of employment or pay arrangement. Cash and vouchers are not accepted.

Again, health-related gifts could include blood pressure, cholesterol or body-fat monitors, health or gym equipment or clothes, health supplements and vitamins, etc.

For a director of a close company (a company with five or fewer shareholders), the maximum amount of trivial benefits allowed per tax year is £300.

## 6 STAFF ENTERTAINING / PARTY

A company can pay for staff entertaining up to £150 per person per year. Many people assume this means a night in the pub, but not necessarily! The staff entertainment could be a day in a spa or retreat of some kind, rather than a boozy night out ... just a thought.

**A certain property accountant and his wife, for example, have a spa day every February as a reward for another January completed!**

The £150/person limit is per year, and so the total spend can be split across several events if required.

## 7 COMPUTERS, MOBILE PHONES, TABLETS

OK, strictly speaking, these aren't *directly* going to benefit a person's health! But there is so much information available around health/medical issues/fitness etc, it makes sense to ensure that the company pays for a decent mobile phone and computer to guarantee that it's easy to educate oneself about health matters online.

Not to mention the range of apps and fitness tracking sites that can help to monitor fitness goals, such as Zwift, Strava and Fitbit. Some fitness devices actually require a connected iPad or iPhone, or equivalent, and are Bluetooth-enabled.

Like a company bicycle, for a phone to be a tax-free employee asset, it must be owned by the company and paid for by the company. Computers and phones don't have any specific maximum value so long as it could reasonably be claimed that the items are mainly for business purposes.

## 8 WELFARE COUNSELLING

Unfortunately, it is the nature of property investing that encountering stressful situations is almost unavoidable. Tenants don't pay their rent/behave badly, tradesmen let you down, refurbishments and developments go over budget, banks change their lending criteria overnight, and so on.

Over the years, I've seen many clients suffer with mental health issues that are caused, or made worse, by their property business.

However, a company can pay for counselling for employees for welfare issues such as bereavement, ill health or stress, problems at work, sexual abuse or personal relationship difficulties. Just as long as the offer is open to all employees and advice doesn't extend to tax/legal/financial advice.

## 9 WORKPLACE GYM

This is probably a long shot for most small landlords and developers, as most will be home-based. However, for those with their own business premises, ie not residential, gyms and sports facilities are tax-free to employees if the facilities are provided to all, and are not available to the general public. The exemption includes the cost of sports equipment, provision of TVs/lounge facilities and reasonable food and drink such as water, protein shakes, healthy foods etc.

## 10 TAX-FREE SALARIES, DIVIDENDS, INTEREST CHARGEABLE

For those expenses that are subject to a BIK tax charge, or if the employer company pays the expense, don't forget that there are ways to extract money from a company without paying personal income tax or national insurance. The funds can then be used to pay for such expenses that can't be paid for tax-efficiently by the company.

Expenses that are subject to BIK tax – and so won't normally make tax sense to be paid for by the company – include: medical insurance, medical and dental treatment, gym and sports club memberships, critical illness/income protection insurance.

## IN SUMMARY ...

**Your health is your wealth** is a phrase that many company owners will be familiar with. While good health is inherently a personal matter, HMRC do allow some provision for claiming tax-deductible expenses via a company while **NOT** creating a taxable Benefit-In-Kind (which usually makes having the company pay for the expense not worthwhile).

As ever, the tax tail should never wag the dog ... ie don't spend money **JUST** to get the tax deduction unless you would in any case spend the money! But equally in these challenging tax times for property investors, we really need to take whatever tax breaks we can!



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