

Reclaiming VAT on Personal Usage

“Is your company breaching VAT reclaim rules and at risk of a large fine?”



“Even if you have been scouring the ‘mobile’ press daily over recent months you won’t have spotted the many stories involving the investigation of some major UK companies over VAT reclaimed on mobile ‘phone bills. For some reason companies don’t like to publicise the fact that Her Majesty’s Customs & Excise have fined them £1million.”

“So treat this as a wake up call and read on with your Finance Director at your side because he or she will want to know too.”

“The problem is around VAT reclaimed relating to the personal use of company provided mobile ‘phones. Whilst the Inland Revenue are no longer concerned with benefit in kind from the personal use of company provided mobile ‘phones (since 2002), Customs & Excise are interested in personal use and have set up a task force specifically to pursue companies who reclaim VAT on such use.”

Section 33 of the VAT Guide (700) details the principles being enforced. For example, section 33.2 states :

33.2 Need for apportionment.

You cannot treat VAT incurred on purchases of goods and services as input tax unless you intend to use those goods or services for the purpose of your business.

“What this means.....is that you can’t claim VAT back on any personal calls made by staff on their company mobile whether authorised or not, and reimbursed or not or you could face a SUBSTANTIAL penalty.”

“The VAT Guide suggest ways by which personal & business use may be apportioned but each requires an end of year audit to verify your figures are ‘fair and reasonable’. Even if you do not allow personal use you have to be able to demonstrate adherence to policy and have exception reporting in place to detect, record, and deal with abuse.”

“The result is the need to identify and log all personal calls made on company owned mobile ‘phones – a tall order by anyone’s standards! This type of activity requires both end user and management involvement and can be time consuming. Add to this the complexities of management involvement and can be time consuming. Add to this the complexities of checking GPRS bills and data volumes and the future threat of having goods and services charged alongside calls and you have the makings of a major headache.”

“Many companies are turning to technology to help, but even the best online bill tracking system doesn’t take away the pain completely and this can be expensive to up and maintain. Some companies hand over the pain to a managed service provider to look after their mobile ‘phone billing. With the cost of monthly line rental coming down to low single figures, the few extra £s per mobile for the management of bills and day to day activity makes good sense for medium to large mobile fleets, allowing flexibility and no investment. But whichever direction you choose the time has come when action is necessary.”

*Source: Extract from the website of the Communications Managers Association –
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