



# **Policy decision:** **A guide to simplifying expense management**

**An aCloud Expense  
Policy Guide**

# Executive summary

Many businesses use a discretionary approach to expenses. Assessing each individual expense item to see if it is a legitimate expense at a reasonable cost makes the claims process inconsistent and subjective, not to mention time-consuming.

This guide enables businesses to understand how an expense policy enables control and reduces expenses.

## This guide covers:

- Key benefits such as improved productivity and reduced costs
- Explanations of the role of software in supporting expense management policy
- A policy example that may be adapted to the needs of your business



# Why an expense policy?

Creating an expense policy is one of the key steps to simplifying expense management. When it comes to expense management, complexity often stems from the lack of clarity around what may and may not be re-claimed by employees. There is HR and tax compliance to consider. Also the cost of expensed items needs to be given a frame of reference, because what seems reasonable for some can be unreasonable to others.

## Consider this

Your new sales manager puts in a claim for lunch with a client for £300. Such a sum was acceptable to his previous employer. However it is likely to raise eyebrows and conflict in your company if £30 is more in line with what you think reasonable.

**An expense policy helps to smooth out the potential for bumps like this and eliminates much of the complexity associated with expense management.**

Ultimately, the benefits of implementing an expense policy are seen in two main ways:

## Reduced Travel & Expense costs

- Travel & Expense (T&E) remains the largest controllable cost in business. A well-designed expense policy cuts the expenses bill.
- Around one quarter of employees are believed to fiddle expense accounts. If employees believe they have been left out of pocket on expenses, research shows more than 7 out of 10 may feel justified in defrauding employers through 'perks' such as rounding up mileages or exploiting loopholes.
- An expense policy sets the rules in stone and spells out what items constitute permissible spend and the level of spend that is acceptable for each expense category.

## Improved productivity

- When a well-designed policy is in place productivity is improved and there is less likelihood of productivity being damaged.
- When a policy is in place employees don't worry about whether expenses are permissible or if they will be reimbursed. They can make better decisions instantly on expense spend and concentrate on their business goals.
- Expense claims that go unpaid because of disputes over category or level of spend have a significant potential to damage employee – employer relationships. An expense policy minimises the chance of conflicts and the resultant negative impact on morale and productivity.



# The road to rolling out policy

Now you have a better understanding of why, here are nine points to consider that help you shape policy and navigate the road to successful implementation.

## 1. Categories

- Decide on the items that may be expensed
  - Examples: Food and beverage; hotels; road fuel; train tickets.
- Decide on the spending limits for each category
  - Examples: Hotels - £200 per night; Train tickets 2nd class only.
- Eliminate 'Misc' as a category because miscellaneous items skew analysis and reporting.

## 2. Management buy-in

- Employees need to see that the implementation of an expense policy is a management initiative, not just a desire of an individual FD or CFO.

## 3. Writing the policy

- Select someone to write the policy and review and discuss it amongst the management team and other stakeholders.
- Write simply, reflect the style and tone of the business and avoid legal and financial terminology to create a policy that is easily understood.
- The second part of this guide is an example of an expense policy. This can be taken as a starting point and customised to meet your needs.

## 4. Timing implementation

- Work out the best time to implement policy. Some may have the luxury of choosing when; others may have to get it in place pretty snappily to plug a leak in finances.

## 5. PR campaign

- Launch a PR offensive to communicate the upside of expense policy to the business. This is change management and it needs a project-led approach.

## 6. Display and circulate

- The policy document should be freely distributed by email, printed memo, pinned by water coolers, etc., and inserted into the Employee Handbook.



## 7. Policy enforcement

- Once it is in place enforcement action needs to be consistent, fair and proportionate.

## 8. Making policy stick with software

- Supporting your new expense policy with an expense management software solution eliminates the process inefficiency of a manual, paper-based approach.

## 9. Transform expense management

- Eliminating paper from the expense claims process with the best expense management software transforms expenses from administrative chore into elegant simplicity.

# Summary

Following this guide should help you develop a good understanding of the necessity of a well-designed expense policy. The effectiveness of a policy is supported and reinforced by the use of a first class expense management software solution.

The latest systems eliminate the time consuming overheads associated with manual, paper based expenses claims systems while delivering ease of use, functionality and reporting and analysis that delivers true business value.



# Expense policy example

This example lets you see what a policy looks like and can be used as the basis for developing the content and writing your own policy.

## Disclaimer:

E&OE. aCloud Expense accepts no liability whatsoever from use of the information contained in this document.

## Advisory notice:

aCloud Expense recommends expense policies should be prepared in collaboration with qualified employment law and tax advisers.



# Introduction - Policy Overview

This document is the expense policy of <Company Name>. The policy points set out below govern spending and reclaiming of expenses incurred by employees during the course of conducting approved Company business.

The purpose of the expense policy is to:

- Limit costs to reasonable levels and for approved purposes
- Control costs of company travel and entertainment
- Ensure payment of employee claims as soon as possible
- Comply with tax and any other regulatory requirements
- Help deter and detect fraudulent activity

This policy is a set of rules that need to be followed by or referred to when:

- Making spending decisions for items which employees expect to reclaim from the company
- Line managers or any other authorisers that approve expense claims
- Members of the finance team processing expenses and actioning payment

## Tax position

Expense payments are classed as taxable remuneration. Taxpayers are entitled to claim deductions for expenses. This is in compliance with HMRC requirements.

## If it is not clear

No policy can cover every situation; if any expense is not covered by this policy it must be referred to senior management before any purchase transaction.



# Policy points

## 1. Proof of purchase

- 1.1. All expense claims must be supported by original receipts or invoices. Claims for credit card purchases require itemised receipts.
- 1.2. The Company reclaims VAT from HMRC and to comply with VAT reclaim rules every receipt or invoice must include date of purchase; supplier details; a description of goods or services supplied; total charge, including VAT; VAT registration number of the supplier.

## 2. Overnight accommodation

- 2.1. When required by employees engaged on approved business, the Company pays for hotels or other appropriate accommodation. The maximum we pay per night is £200.00 + VAT. Employees are required to pay for any excess above this sum and this may not be reclaimed.
- 2.2. The cost of hotel or restaurant meals associated with an overnight stay may also be reclaimed. The maximum per meal is £25.00.

## 3. Incidental overnight expenses

- 3.1. The Company pays for drinks, newspapers and telephone calls. HMRC rules limit payments to £5.00 per night in the UK and £10.00 per night when abroad.
- 3.2. Entertainment costs including cable TV services are taxable and the Company does not pay for such expenses.
- 3.3. Incidental overnight expense must be paid by the employee and re-claimed.

## 4. Meals not part of an overnight stay

- 4.1. The Company pays for meals when not part of an overnight stay. The following applies when away from the office on Company business but not staying away from home.
  - 4.1.1. Breakfast & Lunch - the company pays for meals if the following conditions are met:
    - 4.1.1.1. The claimant is absent from the office for more than half a day
    - 4.1.1.2. The meal and the remote site are more than 10 miles from home and office
    - 4.1.1.3. For Breakfast claims, the journey must have commenced before 7.00am
  - 4.1.2. Evening meals - the cost of evening meals may be reclaimed only if the following HMRC conditions are met:
    - 4.1.2.1. The meal must be eaten after 7.30pm
    - 4.1.2.2. The food outlet is at a distance of more than 5 miles from office or home
    - 4.1.2.3. Time working away from home is more than 10 hours
  - 4.1.3. In all cases we pay a maximum of £25.00 per meal.





## 5. Business and staff entertainment

### 5.1. General

- 5.1.1. The Company pays for reasonable and appropriate Business Entertainment of customers and suppliers.
- 5.1.2. All entertainment claims must meet the proof of purchase requirements set out in item 1 of this policy. This includes cash bar purchases.
- 5.1.3. All claims for Business Entertainment need to state the business purpose; the name of the entertainment venue and the name, position and company of every person entertained.
- 5.1.4. Where two or more Company employees are entertaining, only one expense claim should be made. It is advisable that the most senior employee should settle the bill.

### 5.2. Entertainment for guests and staff

- 5.2.1. HMRC rules for entertainment of guests (clients or suppliers) and staff are different.
- 5.2.2. Usually, the cost of entertainment should be set against the category 'Business Entertainment'. This includes the costs of the member of staff.
- 5.2.3. If the number of staff attending the event exceeds the number of guests, then the costs for the 'excess' staff need to be charged to the category 'Staff Entertainment'.
- 5.2.4. Example: For a lunch attended by one guests and two members of staff, two meals need to be categorised as 'Business Entertainment' and one as 'Staff Entertainment'.
- 5.2.5. Staff entertainment is a taxable benefit. The only exception is the Christmas party. The Company pays the tax resulting from reasonable appropriate and approved staff entertainment.

### 5.3. Overnight guest accommodation

- 5.3.1. The Company pays for overnight accommodation and meals for guests of the Company. The limits set out in section 2 of this expense policy apply to guest accommodation and meal costs.

### 5.4. Entertainment advisory

- 5.4.1. Please be aware that business entertainment includes gifts and hospitality of any type.

## 6. UK air and rail travel

### 6.1. UK air

- 6.1.1. All bookings for air flights should be booked through the Company preferred supplier of travel services. The only exception to this are direct bookings with budget carriers.
- 6.1.2. A minimum of three working days notice of airline ticket requirements is desirable.
- 6.1.3. Economy class or equivalent must be booked for all UK air journeys.

### 6.2. UK rail

- 6.2.1. For UK rail travel the following applies:
  - Second class services must be used for journeys of less than 3 hours
  - First class services may be used for journeys greater than 3 hours
  - The duration of the journey is the official time given in the rail service provider's timetable. The journey time does not include travel to and from stations.



## 7. Overseas air and rail travel

### 7.1. General

7.1.1. All bookings for overseas travel, including travel tickets, hotel and any other reservations must be made through the Company preferred supplier of travel services. Reservations must be accompanied by an approved Travel Application form.

7.1.2. Each trip must be authorised by the appropriate Head of Department who must provide an approved Travel Application form. Airline ticketing requirements mean:

- European travel needs three working days' notice
- Outside Europe needs five working days' notice

7.1.3. The Company agreement with the preferred supplier is to book the most cost effective means of travel.

### 7.2. Overseas air

7.2.1. For overseas air travel the following applies:

- Economy class must be used for all journeys of less than 3 hours flying time
- Economy Plus must be used for all journeys between 3 and 5 hours flying time
- Lowest logical business class fare should only be used for journeys of more than 5 hours flying time
- First class flights must only be taken if the upgrade is free of charge

7.2.2. The duration of a flight is the scheduled flying time. This does not include transit to or from airports or time between check-in and departure. Similarly it does not include time taken to clear immigration and baggage reclaim.

### 7.3. Overseas rail

7.3.1. For overseas rail travel employees may travel first class and book sleeper accommodation

### 7.4. Travel by sea

7.4.1. Sea travel is not used where flights are available. Short sea routes may be taken where air services are disrupted or not available.

## 8. Foreign currency

8.1. Foreign currency should be obtained from legitimate currency exchanges or ATMs abroad. Currency conversion costs are paid by the Company.

8.2. Allow at least three working days if ordering foreign currency through the Company. Foreign currency requests are capped at £100. Traveller's cheques should be used for additional sums.

## 9. Other travel-related costs

### 9.1. Travel to and from airports

9.1.1. Employees with Company cars or car allowances should use their vehicles for travel to and from the airport.

9.1.2. If parking fees exceed the two-way cost of private taxi services (minicabs) then taxi fares may be claimed.



- 9.1.3. Staff without Company cars or a car allowance must use public transport or private taxi services to and from the airport.

## 10. Visas

- 10.1. The Company pays the cost of visa applications for staff required to travel overseas on Company business.

## 11. Company cars and car allowances

### 11.1. Mileage rates

- 11.1.1. 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

- 11.1.2. Road fuel for private journeys must be paid for by the employee.

### 11.2. Servicing

- 11.2.1. The Company will reimburse servicing in line with the dealer recommendations for Company cars.

### 11.3. Parking

- 11.3.1. The Company pays car parking expenses in connection with business calls.

### 11.4. Fines

- 11.4.1. The Company does not pay fines for Road Traffic Act offences. This includes any related to parking violations, such as parking tickets, clamp release fees or tow away charges to local authorities or private companies.

### 11.5. Insurance, MOT and road tax

- 11.5.1. It is the responsibility of employees that receive Company Car Allowances to arrange insurance appropriate for use of their vehicles for Company business. Vehicles must have a valid MOT certificate and display the correct tax disk.

### 11.6. Valet & cleaning

- 11.6.1. The Company does not pay car wash or valet costs. It is the responsibility of the driver to ensure the car in his or her care is reasonably clean at all times.

### 11.7. Vehicle availability and driving colleagues

- 11.7.1. Employees that receive Company Car allowances must have a vehicle available for use when required to carry out their duties. When two or more employees travel together and one is the recipient of a Company car or Car Allowance, that employee is expected to drive and claim for the mileage.

## 12. Attending training courses

- 12.1. Training is recognised as approved Company business. Employee expenses for travel, accommodation and food is covered by this policy.



### 13. Professional Membership fees

- 13.1. The Company only pays subscriptions to professional bodies where an employee is requested to take up membership by the Company. Please note that some subscriptions are classed as taxable and the employee may incur a tax liability.

### 14. Private telecoms costs

- 14.1. Employees personal telecoms costs for business calls may be reclaimed as an expense. For high call volumes at a private address a separate business line should be installed. The bills must be addressed directly to the company. The Company meets the costs for legitimate business use in full.

### 15. Equipment purchases

- 15.1. The purchase of equipment, including computers, laptops, tablets, smartphones or any other IT related hardware for use at work or home is not covered by this policy and costs for such expenditure may not be reclaimed through the expenses system.
- 15.2. Hardware purchase is Capital Expenditure and procurement of hardware is managed by the IT department and the Head of Finance. Employees requiring equipment for business purposes should contact their Line Manager.

### 16. Cash and foreign currency advances

- 16.1. Any requirement for cash advances must be authorised by a Line Manager. Advances are only to be used for Company business. Only one advance will be permitted at a time. Advances must be settled within one calendar month via the expense claim system.
- 16.2. A foreign currency advance is also classed as a cash advance and the above conditions apply.
- 16.3. Should an employee leave the business, the Company will recover outstanding advances from monies due to the recipient.

### 17. Personal credit card fees

- 17.1. Fees charged for personal credit cards used to pay for expense items are not refundable by the company.

### 18. Contractors, freelancers and consultants

- 18.1. Payments to contractors, freelancers or consultants are not allowable expenses and recovery of payments to such third parties by employees is not governed by this policy document.





# About aCloud Expense

aCloud Expense is one of the suite of integrated aCloud applications developed, marketed and provided by Access Group, a business with over 6,000 UK business customers. Access was founded in 1991 and focuses on providing vertically focused industry specific software solutions.

The cloud may mean your data could be quite literally anywhere in the world. However, with aCloud you're never far from us. Our team of over 600 people includes 100 support engineers and 130 developers across 14 UK offices. This enables us to provide consultancy and support with a personal touch, unlike many other cloud software service providers.

Our in-house development team focus on making aCloud the simplest expense management solution on the market. We integrate all the functionality and wrap in the compliance that today's businesses need to tackle administrative chores like expense management. Expense management is our core business, so there is no need to let it impact yours.

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