

PEARCE & CO

Chartered Accountant and Chartered Tax Adviser

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Tax treatment of mobile phones held under contracts






Relevant to: limited companies; company directors; or employees earning over £8,500 per annum

It's common for a company to pay for a director to have a mobile phone, which is then used for a mixture of business and private calls.

These arrangements can be structured in a number of ways but the tax implications are often overlooked. The tax treatment depends on whose name the contract is in, how the phone is being used, and who is paying the mobile phone provider. If the company is not careful, it can change what is potentially a tax free benefit into something that is taxable on the director as additional salary. If the company is unaware of these tax liabilities, then interest and penalties are likely to be due should HM Revenue & Customs later discover them.

Below is a summary of the various options available to directors and employees, along with their tax implications and reporting requirements. If you want to make sure that your company is operating in the most tax efficient way, contact us on 01225 471076 or via contact@pearceandcoaccountants.co.uk

Please note that different rules apply for devices such as an iPhone or a Blackberry. Due to the range of functions that they offer, HM Revenue & Customs do not consider them to be primarily mobile phones. Contact us for more information on the tax treatment of these items.

	Options	The contract is between:	Payment terms and use of phone (unless stated, this is a mixture of business and private calls)	Report on P11D	Summary of tax implications	PAYE due	National Insurance due
	Company provides one mobile phone to an employee	Company and the mobile phone provider	The company pays the mobile phone provider.	No	None	None	None
	Employee owns a separate business mobile phone	Employee and the mobile phone provider	The company pays the mobile phone provider. The phone can only be used for business calls.	Yes	None	None	None
	Employee owns a mobile phone	Employee and the mobile phone provider	The company pays the mobile phone provider	Yes	Class 1 NI is due on the monthly tariff and additional private call charges.	None	
	Employee owns a mobile phone	Employee and the mobile phone provider	The employee pays the mobile phone provider; the company reimburses the employee.	Yes	Payment of the monthly tariff and additional private call charges is taxed as salary	