



# Creating a Best-Practice Expenses Policy

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We've included a helpful template that you can copy, paste and customise.

## **WHY YOUR COMPANY SHOULD HAVE AN EXPENSES POLICY**

Having proper guidelines in place is critical to maintaining control when it comes to employee travel and expenses (the second largest controllable cost after salaries<sup>1</sup>). So, the first logical step to finding a better way to do expenses is to create an expenses policy.

## **WITH AN EXPENSES POLICY:**

- Your employees will know what the rules are – so they can comply, and be reimbursed more quickly,
- Your finance team will know which claims to accept or reject,
- Senior management will be able to better control costs and calculate travel and expenses spend,
- HMRC will know you have rules and can demonstrate that you're following in line with the letter and spirit of the law.

## **HOW TO CREATE AN EXPENSES POLICY**

We've put together some tips to help you create or improve your expenses policy, based on the knowledge we've gathered from decades of working with companies and expenses. We've also included a helpful template that you can copy, paste and customise based on your business needs and culture.

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# 10 tips for creating a best-practice expenses policy (and some mistakes to avoid)

## 1. KEEP IT SIMPLE

A policy should be a helpful guideline to explain what employees can and can't claim on expenses – to make it easy for everyone to read and understand. Keep the rules simple, and people will be more likely to remember them and follow them.

## 2. MAKE IT FLAT

Research<sup>2</sup> shows that managers are more likely to submit higher “out-of-policy” claims but are only half as likely to have an expense claim rejected. If you set the precedent that it's okay for some people (e.g. managers) not to comply with the rules, others might think the rules don't apply to them, either. What is best practice? Don't let your managers get away with claiming more than their direct reports. HMRC doesn't let managers claim more, either.

## 3. MAKE IT FAIR AND FLEXIBLE

Employees need to be able to claim reasonable business expenses. For example, business travellers shouldn't have to spend hours searching for a hotel that's under the limit or feel put-out because they can't have a cup of tea or a sandwich while off site. The bottom line is: no-one should have to be out of pocket if they spend sensibly and a little flexibility goes a long way, because happy employees are more productive, which leads to long-term business success.

## 4. KEEP IT UPDATED AND MAKE IT EASY TO FIND

Make sure people know where to find your expenses policy – and that they actually read it. Also keep in mind that as the world changes, legislation is updated, and technology advances, it's a good idea to review and update your policy regularly, too.

## 5. EMPHASISE THE POSITIVES

The rules are the rules, but there's usually a good reason for them. Make sure employees know why the rules exist, and it will be easier to enforce them.

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It's best practice to give people an easy way to claim and then reimburse them promptly.

## 6. GET BUY-IN

Get agreement about the policy with both managers and employees up-front. Having discussions with a wide range of stakeholders lets you identify grey areas and decide, together, whether proposed revisions are fair or not.

## 7. GIVE MANAGERS TOOLS TO ENFORCE THE RULES

Let the policy be the bad guy; not the manager. Consider giving your managers extra training on the policy and how to apply it – or put a system in place that can reject claims on behalf of those approving claims (so the rejections don't feel personal). You could also put a system in place that flags anything that's out-of-policy before individuals can actually submit a claim – and give them a chance to comment if there's a valid business reason.

## 8. USE SENSIBLE, LOCALISED RULES

It costs more to stay at a hotel in London than in Bradford, for example. Let your expenses policy reflect that, so employees can stay in reasonable comfort in all locations. Also, don't assume that one-size-fits-all. If you've got just one policy that applies to people in different regions, you might need to create local versions that take cultural variations, differing costs and legislation into account.

## 9. PAY PROMPTLY

Remember, doing expenses can be stressful and even emotional, especially if people aren't reimbursed quickly – and if employees have paid for them out of their own pocket. It's best practice to give people an easy way to claim and then reimburse them promptly.

## 10. DON'T FORGET THE VAT

Businesses can reclaim VAT on most employee expenses – but only if there are properly documented receipts. Make sure your receipts are captured (more and more local tax offices will accept digital receipts – so a photographed copy is enough), and, if necessary, get external experts to help with VAT reclaim. There could be more money in it than you think.

## Please note:

This is not a legal document—it's a (suggested) starting point.

The values included on this policy are only approximate guidelines, but you can check the amounts against your industry sector, company size and employee averages: [download the UK employee expenses benchmark report](#).

# A best-practice expenses policy template

Use the template below to create your company's expenses policy, and customise it as you see fit. The template includes the following sections:

- An introduction,
- Employees' and managers' responsibilities,
- Fraud, bribery & corruption,
- Suggested costs for expenses that would normally be reimbursed (including subsistence, hotels, mobile phone and internet connectivity; air, rail, taxi and road travel; mileage; guidelines about entertainment and overseas expenses), and
- Exclusions.

## HOW TO USE THE TEMPLATE:

Read the notes in the centre column. Then use the headings in the left column to create your own document. Feel free to copy or amend the examples in the right column to suit you.

SECTION	EXPLANATION	EXAMPLE WORDS
<b>1. INTRODUCTION / STATEMENT OF PURPOSE</b>	<p>Why is there an expenses policy?</p> <p>Set some basic guidelines – make it factual, not scary. Include:</p> <ul style="list-style-type: none"><li>• Who the policy applies to (managers and employees)</li><li>• Date of policy implementation.</li></ul>	<p>e.g. This policy applies to all employees of (insert company's name here – e.g. Our Company) as of the Xth Day of Month, Year. It is a framework that covers how an employee can claim and be reimbursed for reasonable and authorised expenses that are incurred while doing business for Our Company.</p> <p>Please also refer to the following company documents: (e.g.</p> <ul style="list-style-type: none"><li>• HR policy</li><li>• VAT / tax / benefit documentation).</li></ul>
<b>2. COMPANY EXPECTATIONS AND POLICY COMPLIANCE (EMPLOYEES' AND MANAGERS' RESPONSIBILITIES)</b>	<p>Write a brief note here to explain:</p> <ul style="list-style-type: none"><li>• What employees should do to comply with policy</li><li>• When managers should approve claims (or not)</li><li>• What happens if they fail to comply with policy.</li></ul>	<p>e.g. As an <i>employee</i>, we expect you to:</p> <ul style="list-style-type: none"><li>• Behave honestly, responsibly, and within the guidelines of this policy (e.g. keep costs low)</li><li>• Submit expenses as soon as possible and with enough details to explain why you've made the purchase</li><li>• Keep all receipts and provide VAT receipts (not just credit card slips) so we can reclaim VAT and because HMRC requires them.</li></ul> <p>As a manager, we expect you to:</p> <ul style="list-style-type: none"><li>• Check that purchases comply with the policy</li><li>• Approve them promptly</li><li>• Ensure they're claimed promptly.</li></ul> <p>If employees don't comply with policy, we can delay reimbursement or reject claims. Persistent or deliberate non-compliance may result in disciplinary action.</p>
<b>3. FRAUD, BRIBERY &amp; CORRUPTION</b>	<p>This section presents your company's stand on fraud, bribery and corruption.</p>	<p>e.g. Our Company has a zero tolerance approach to bribery – in compliance with relevant anti-bribery laws in all the regions in which we operate. Offering or accepting a bribe, or behaving corruptly in anticipation of a bribe or advantage is not acceptable.</p>

SECTION	EXPLANATION	EXAMPLE WORDS
<p><b>4. THE NITTY GRITTY: TYPES OF EXPENSES—WHAT'S ALLOWABLE</b></p> <p>The main body of your expenses policy should cover the standard expense categories – complete with rules about what is or isn't permitted.</p>		
<p><b>A) TRAVEL-RELATED EXPENSES</b></p>	<p>This section should cover the basics such as:</p> <p>Which suppliers and booking methods (if any) are preferred.</p> <p>What range of fares is acceptable – e.g. lowest logical fare vs. the cheapest. And what class of travel can be booked.</p> <p>It should also include a section on:</p> <ul style="list-style-type: none"> <li>• The use of company cars (if applicable)</li> <li>• Mileage reimbursement rates</li> <li>• Insurance.</li> </ul> <p>You might also include answers to the following questions:</p> <ul style="list-style-type: none"> <li>• Do you encourage sustainable transport use?</li> <li>• Does public transport take precedence over taxis vs. personal cars? If so, when?</li> <li>• How far in advance must trips be booked?</li> <li>• Is pre-approval needed before employees book travel (like flights/trains) or only if over a certain value?</li> </ul>	<p>e.g. The following travel-related expenses can be claimed:</p> <p><b>Mobile phones and internet connectivity:</b> Use free wi-fi whenever possible. Reasonable internet connectivity charges can be added to a hotel bill unless already part of the negotiated rate.</p> <p><b>Air, rail and road travel:</b> All bookings should be made in economy/standard class (unless you can beat the price by booking early, in which case higher classes are acceptable).</p> <p><b>Mileage:</b> You can claim up to 45p/mile – but <b>MUST</b> include VAT receipts dated on or before the purchase of petrol to cover the cost. You must also be insured for using your car for business purposes.</p> <p><b>Taxis:</b> Always try to use public transport instead of taxis (unless you are in an unsafe area).  Always keep a receipt that includes the date. You can't claim trips from work to home.</p> <p><b>Car hire:</b> You can rent cars overseas if it's more cost-effective than taking public transport (or if it's not practical or public transport isn't available).</p>
<p><b>B) ADDITIONAL TRAVEL-RELATED EXPENSES</b></p>	<p>This section should be a list of travel-related expenses that are acceptable and in-policy.</p>	<p>e.g. The following travel-related expenses are acceptable and will be reimbursed:</p> <ul style="list-style-type: none"> <li>• Baggage (no more than 2 bags) and advanced-seat bookings</li> <li>• Parking</li> <li>• Foreign currency charges</li> <li>• Visas</li> <li>• Tips (up to 15% - unless already included in the bill)</li> <li>• The hire/use of a GPS with hired cars in unfamiliar locations.</li> </ul>
<p><b>C) ACCOMMODATION</b></p>	<p>List preferred methods of booking and acceptable rates.</p> <p>This section should also include the per diem rate for each region.</p>	<p><b>e.g. Hotels:</b> Book hotels either through the booking system / travel management company, or through your own means. If booking outside of the system or TMC, costs must be lower than those available through the first two options.</p> <p>The average price-to-beat for a hotel room is £130 generally, £160 for an inner-city rate and £190 for London hotels.</p> <p>You are responsible for all hotel cancellations.</p> <p><b>Per diems:</b> These cover costs for meals when away from the office on business. Only claim these in countries where individual expenses are not normally reimbursable (e.g. Germany). Rates should be set in line with local legislation.</p> <p><b>Duty of care:</b> This is important! Always inform others of your overnight location so we can comply with Duty of Care requirements. Tell your line manager (or a team-member if they're away) or share your travel itinerary using Triplt®.</p>

SECTION	EXPLANATION	EXAMPLE WORDS
<p><b>D) FOOD &amp; ENTERTAINMENT</b></p>	<p>This section should set limits on meal prices, provide guidelines on when to claim meals and explain any other ambiguities surrounding food/entertainment.</p> <p>Don't forget that HMRC and various other laws require the names and companies of all participants at entertainment events.</p>	<p>Meals:</p> <p>e.g. You can claim for meals while staying overnight, or if travelling for business before 7am or after 8pm and are away from the office for more than half a day.</p> <p>The maximum spend limits are:</p> <ul style="list-style-type: none"> <li>• Hotel breakfast - £15</li> <li>• Other breakfast - £10</li> <li>• Lunch - £15</li> <li>• Dinner (including 1 alcoholic drink) - up to £30.</li> </ul> <p>Client meals/entertainment costs may be higher.</p> <p>All entertainment claims must include a business reason and the name and company of all attendees – even those who work for Our Company. This ensures we comply with the UK Bribery Act and also helps us apply the right VAT treatment.</p> <p>Alcoholic drinks will only be reimbursed if consumed with a meal.</p>
<p><b>E) OTHER EXPENSE TYPES</b></p>	<p>This section should be a list of other expenses and that are acceptable and in-policy.</p>	<p>e.g. The following expenses are acceptable and Our Company employees will be reimbursed for them.</p> <ul style="list-style-type: none"> <li>• Professional membership fees (where relevant to your profession and agreed with your line manager)</li> <li>• Postage for business purposes</li> <li>• Annual eye-testing fees</li> <li>• Visas</li> <li>• Agency booking fees.</li> </ul>
<p><b>F) EXCEPTIONS</b></p>	<p>A list of things that your expenses policy won't cover – so people don't try to claim for these.</p>	<p>The following travel-related expenses will not be reimbursed.</p> <ul style="list-style-type: none"> <li>• Credit, debit and charge card fees (including interest, annual costs)</li> <li>• Laundry service/dry-cleaning (unless trip is longer than 4 nights)</li> <li>• Mini-bar contents</li> <li>• Movies/videos, newspapers</li> <li>• Parking fines</li> <li>• The loss/theft of goods</li> <li>• Childcare or petcare</li> <li>• Any personal elements</li> <li>• Damage to personal vehicles</li> <li>• Spa and health/fitness clubs</li> <li>• Clothes</li> <li>• Flowers, sweets, confectionary</li> <li>• Birthday cakes or cards for employees</li> <li>• Tourist attractions*</li> <li>• Bar bills*.</li> </ul> <p>*You can claim these if the event is part of client entertainment.</p> <p>There might be other things that we won't pay for, so make sure you explain the business reason for each claim.</p>

# Don't stop with the policy – the next step is to automate your company's expenses

Think about it: you wouldn't use a manual process to do your payroll, or a Cathedral ledger book to do your accounts. So why are just over a quarter of businesses still using completely manual processes (handwritten or word-processed claims) to do expenses?<sup>3</sup>

More and more companies are looking to stay ahead of the game with automation. After all, managing expenses is about more than just balancing your budget. It's about efficiency and cost control; knowing where your money is going, what your employees are spending to bring in new business, and where you might be able to reduce costs—all of which is fully visible with an automated solution.

**It's time to say goodbye to out-dated and painful manual processes.**

Did you know that 35% of senior SMB finance leaders say that over-complicated processes cause the greatest inefficiency in their department, followed by wasted time (26%) and duplication (20%)<sup>4</sup>? Even the best spreadsheet in the world is still an over complicated, and therefore inefficient way of managing your employee expenses.

**Why an automated expense management solution is better:**

- No more long hours spent inputting receipts:
  - Doing expenses on the move lets your employees be more productive so they don't have to deal with a pile of expenses waiting for them when they get back to the office.
- Faster, more productive processes overall:
  - Managers can approve payments without hassle; finance teams can check them easily, and employees can be paid more quickly.
- Better data visibility – which means better business decisions:
  - To quote a popular management saying: “if you can't measure it, you can't manage it.” An automated solution lets senior management see exactly who's claiming what, when, making it easier to monitor spend levels and trends across the business.
- The tax man will be happy:
  - HMRC likes processes, guidelines and receipts. An automated process gives them confidence that you're keeping track of employees' expenses and complying with the rules.

Don't wait to make your life easier. There's a better way – which will keep your employees, finance team, business leaders and the tax man happy – all at the same time.

Just over a quarter of businesses still use completely manual processes (handwritten or word-processed claims) to do expenses.<sup>3</sup>



# Try Concur – free

## TAKE A TEST DRIVE

You can see how easy it really is to do your expenses online. Go to [www.concur.com/en-uk/free-trial](http://www.concur.com/en-uk/free-trial) and get started now!

## WHY CONCUR?

Concur makes doing expenses less painful – for businesses and employees. We've got a suite of really cool tools that live online, in the cloud, to help employees get through the process painlessly; let finance teams streamline processes and payment; and to give managers and senior leaders full visibility of who's spending what on expenses, where.

With no up-front fees, no extended tie-in and the closest thing to a plug-and-play solution available on the market, Concur brings 20 years of experience of automating expenses for companies of all sizes to a best-practice, templated approach that can literally be up and running in days, or even hours.

## Get started now

## TALK TO US

Call us on +44 1753 501 444. We'd love to chat.

1 From Jupiter Research, as quoted in [www.travelwise.co.uk/business/downloads/CNQRWP-Building\\_an\\_Effective\\_Business\\_Case\\_NA.pdf](http://www.travelwise.co.uk/business/downloads/CNQRWP-Building_an_Effective_Business_Case_NA.pdf)

2 <https://assets.concur.com/report/uk-benchmark-report.pdf>

3 <http://assets.concur.com/whitepaper/uk-quocirca-full-report.pdf>

4 [https://www.concur.com/sites/default/files/lp/pdfs/expenses-vat-and-hmrc-compliance-in-a-nutshell\\_uk\\_concur\\_november-2013.pdf](https://www.concur.com/sites/default/files/lp/pdfs/expenses-vat-and-hmrc-compliance-in-a-nutshell_uk_concur_november-2013.pdf)

## ABOUT CONCUR

Concur is a leading provider of integrated travel and expense management solutions. Our adaptable cloud-based and mobile solutions help companies and their employees control costs and save time. Concur's systems adapt to individual employee preferences and scale to meet the needs of companies from small to large.

**Learn more at [www.concur.co.uk](http://www.concur.co.uk)**