

Contractor doctor: can I claim training expenses for an open university course?

Dear Contractor Doctor,

I am a contractor and I have a limited company that I use for contract work. I intend to further my education by undertaking an Open University degree relating to my current professional career.

I would like to use the limited company as the sponsor of my education, so that the company would pay for the fees. What are the laws/rules regarding this? And what about tax implications? Can I use my limited company to pay for my fees or act as my sponsor?

Thanks

Caesar Mensah

Contractor Doctor says:

Under certain circumstances, it is perfectly acceptable for training expenses to be claimed through a [contractor's limited company](#). However, as David Colom, of [DJ Colom Accountancy](#) explains, only certain training can be claimed: "The key question that has to be answered as to what types of training can be a legitimate deductible business expense is whether the training is directly relatable to the income being generated by the contractor at the time."

For example, take a contractor who is an experienced database developer, having contracts in place with clients doing work on database development projects. If the contractor pays for a day refresher course in database design, that course is directly relatable to the work the contractor is doing for clients at that time, and therefore a legitimate deductible business expense.

"However," says Colom, "if an database developer decides to invest in a week-long residential course learning how to build websites, that course is treated differently and is not an allowable expense. In other words, the websites course is not a cost directly relatable to the database work the contractor is conducting with current clients."

Training is treated like any other deductible business expense; it must be 'wholly, necessarily and exclusively' in the performance of duties and related to income.

According to Colom: "A university degree course, or three-month residential course learning a new skill is not allowable. It could be argued that the course fees are a capital expense and could be charged to the contractor's company, but the contractor would not get tax relief." And this, says Colom, can cause the contractor complications so should be avoided.

University courses and training not relevant to a contractor's existing skills are also excluded, because they are an 'investment in the mind', as Colom explains: "The cash spent investing in a new skill that puts a contractor in a position to seek new work cannot be claimed.

"When the skill is learnt, and the contractor is invoicing clients for applying that skill, further improvements to that skill are allowable, but HMRC won't let you claim for the expense of getting you there."

Good luck with your contracting!

Contractor Doctor

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David Colom
Principal
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David Colom qualified as a Chartered Accountant in the City of London in 1981 and is the founder and principal of D J Colom & Co Chartered Accountants established in 1989.

Started specialising in serving IT contractors in 1993 and is now one of the longest standing suppliers of accountancy services to computer contractors. [Read Full Profile...](#)

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David Colom, D J Colom Accountancy



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