

## Contractor Doctor: Can my limited company pay for counselling?

Dear Contractor Doctor,

My husband is an interim management contractor and I am a freelance writer. We've both been trading through the same jointly owned **limited company** for over ten years. However, in his last contract my husband was harassed by another contractor, and as a result has been suffering from stress and depression, and can't work.

We've been recommended an excellent locally-based stress counsellor, but he only takes private patients. Because the counselling is mainly intended to get my husband fit for work again, and his condition was work induced, we'd like our limited company to pay the counselling costs.

Can our limited company pay for counselling?

Thanks

Amanda

Contractor Doctor says:

"A contractor's limited company can pay for certain types of welfare counselling, without attracting a benefit in kind (BIK) charge or employer's National Insurance Contributions (NICs)," explains **James Abbott**, owner and head of tax at contractor accountant **Abbott Moore**.

HMRC's rules say that, as employees of their limited company, contractors suffering from conditions such as stress, bereavement, substance abuse or debt problems can receive counselling courtesy of their limited company.

"However," he adds, "there are exclusions that would attract a benefit in kind charge and employer's NICs, such as tax advice, actual medical treatment or advice on leisure and recreation."

### Qualifying, and non-qualifying, welfare counselling

The list of qualifying welfare counselling which have exemptions from benefit in kind charges supplied in **HMRC's online guidance** is quite extensive, and includes:

Alcohol and drug dependency

Bereavement

Career concerns

Debt problems

Equal opportunities, harassment and bullying

Ill-health or stress

Personal relationship difficulties

Problems at work, such as conduct and disciplinary issues

Sexual abuse.

But HMRC specifically excludes:

Any actual medical treatment

Tax and legal advice

Financial advice, except when it is in relation to debt problems

Advice on leisure or recreation.

"A contractor's limited company can pay the costs of these excluded counselling subjects," says Abbott, "but the contractor will pay a benefit in kind income tax charge and the limited company will pay employer's National Insurance at 13.8%."

## Eligibility of other company directors and employees

"If a contractor's civil partner or spouse is also part of the business, as a co-director and employee, they may also qualify for welfare counselling costs to be paid by the company," says Abbott.

"However, in either case HMRC will ask the question: 'why is the company funding this?', and a contractor should be prepared to confirm that welfare counselling forms part of directors' and employees' remuneration package."

In the case of a spouse working part-time in the business, a contractor should also consider whether a substantial benefits package that includes welfare counselling is a genuine reflection of what the part-time spouse contributes to the business.

Abbott recommends that if counselling costs are likely to be significant, a board minute is entered to the company's minute book confirming that welfare counselling forms part of each director's remuneration.

## Counselling that includes exempt and non-exempt subjects

Where a contractor receives welfare counselling that includes exempt and non-exempt subjects, HMRC will accept a reasonable apportionment. Abbott offers an example: "A contractor might be seeing a stress counsellor who is also a masseuse. The first half hour session might incorporate stress counselling and the second half hour a massage.



**James Abbott**

Owner

Abbott Moore LLP

James Abbott is the owner of Abbott Moore LLP and often speaks on freelancer / contractor tax matters. He has his own growing portfolio of contractor clients.

Abbott Moore LLP are PCG Accredited Accountants and specialise in providing tax advice to freelancers as well as dealing with their year end accounts and tax returns. [Read Full Profile...](#)

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"The stress counselling can be claimed, but the massage would be excluded. Ideally a contractor should ask for different invoices, but if this is not possible, then the contractor should still pay via their company, but repay the non-exempt element, or face a benefit in kind charge."

Good luck with your contracting!

Contractor Doctor

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James Abbott, Abbott Moore LLP