

Contractor Doctor: Can I buy a tax deductible iPad or Android tablet?

Dear Contractor Doctor,

I'm about to invest in some new IT equipment for my engineering contracting business. I am seriously considering buying a 3G tablet, rather than a laptop, as I can be much more productive during my daily commute and use the tablet for note taking in meetings and client presentations.

However, I can't find any information about tablets on HMRC's website, so I'm not sure whether tablets are treated like mobile phones, or like laptops, and whether a tablet is an allowable expense for my limited company.

Can I buy an iPad or Android tablet that is tax deductible?

Thanks

Janis

Contractor Doctor says:

"The short answer is 'yes'; iPads and other tablets and accompanying data charges can be claimed as a [legitimate business expense](#)," explains [James Abbott](#), owner and head of tax at contractor accountant [Abbott Moore](#). "And they can be fully deductible if bought for business purposes by a [contractor's limited company](#)."

But to avoid a potentially hefty benefit in kind (BIK) charge, contractors must be able to demonstrate that their tablet was bought principally for business use, and that any personal use is insignificant.

According to Abbott, the tax treatment of tablets is a classic case of how tax legislation has failed to keep pace with technology: "Tablets are not treated as mobile phones or under the smartphone legislation introduced by HMRC in 2006 because, even if they are 4G and Wi-Fi enabled with voice calling capabilities, their primary purpose is not for making calls."

Tablets bought by a limited company for business purposes

"Tablets are currently effectively treated as laptops and come within the normal rules for computers," continues Abbott. "HMRC's guidance says that for computers provided to employees by their company to be exempt from benefit in kind charges, 'the sole reason the computer must have been provided must be for the individual to carry out their duties of employment' and that private use must be insignificant."

That means the contractor's limited company must be buying the iPad or tablet principally for business purposes, and that it is essential for the contractor to be able to perform their duties. Greater productivity when commuting, note taking in meetings and performing presentations are all likely to be accepted as valid business reasons.

The definition of 'insignificant private use' can be more problematic, as HMRC uses different definitions for different assets. HMRC provides useful examples in its guidance note [EIM 21613](#), which covers the most likely contractor scenarios.

"If the tablet is deemed to be allowable, then its full value is deductible from a contractor's company profits in the corporation tax return, and the cost is depreciated over three years in the contractor limited company's profit and loss account."

Benefit in kind charges for tablets bought mainly for personal use

However, if a contractor's company buys a tablet that is not principally for business purposes, then the contractor will incur a benefit in kind (BIK) charge. And these could get quite expensive for a top-of-the-range 4G-enabled tablet, warns Abbott.

"If the tablet is for private use, then 20% of entire cost of the tablet, including [VAT](#), is charged to the contractor as a benefit in kind each year.

"So, for example, for a tablet costing £500 including 20% VAT of £100, would be charged to the contractor as a BIK each year at their marginal rate, which would be £20/20%, £40/40% or £50/50%. In addition, a further 13.8% employer's National Insurance Contributions (NICs) would be payable on the BIK charge by the contractor's company."

Tax treatment of 3G/4G and Wi-Fi access

Abbott explains that the tax treatment of the tablet's connectivity is treated separately from the cost of the tablet itself.

“ iPads and other tablets and accompanying data charges can be claimed as a legitimate business expense ”

James Abbott, Abbott Moore
LLP

If Wi-Fi access is via a voucher, such as those purchased in a hotel lounge so the contractor can access the internet on their tablet during a client meeting, or when working, then the full amount can be claimed as a business expense

Purely business 3G/4G access via a pay as you go (PAYG) dongle paid for by the company can be fully expensed; if the dongle is paid for personally, and there is a mix of private and business, and the cost of the business data can be itemised, then the business cost can be expensed

For a 3G/4G mobile broadband contract to be allowable, the contract must be between the contractor's limited company and the network provider; the rules relating to personal and business data contracts are the same as those for mobile/smartphone contracts.



James Abbott

Owner

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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.

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The difference between voice calls and data is that a contractor enjoys a benefit in kind exemption for unlimited private calls on one mobile phone paid for by the company. There is no similar 'unlimited' exemption for data, and private use on a company contract or dongle must be insignificant for the benefit in kind exemption to apply.

Good luck with your contracting!

Contractor Doctor

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