
Buy A Mobile Phone Through Your Business

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If you run a limited company, your business can usually pay for a mobile phone and its monthly contract without creating a tax charge but there are certain rules to be aware of.

This can be useful if you rely on your phone for work, as the cost can normally be treated as a business expense and there is typically no benefit in kind for the director or employee.

In this guide we explain:

- how HMRC treats company mobile phones
- the rules that need to be followed
- some common questions we see from clients

If you'd like the official HMRC wording, you can read their guidance [here](#).

How it works

Normally, when a company provides a benefit to a director or employee, it can create a [benefit in kind](#). This would usually need to be reported to HMRC and may result in Income Tax and National Insurance being due. However, mobile phones are treated differently.

Provided certain conditions are met, one mobile phone per employee or director can be provided tax-free. This means:

- the company can pay for the handset and contract
- the cost is normally treated as a business expense
- there is no benefit in kind for the individual

This treatment also applies even if the phone is used for some incidental personal calls, texts or data, as long as the primary purpose is for business use.

Costs that are typically covered include:

- the handset itself
- the monthly contract or tariff, subject to certain rules covered below.
- additional charges not included in the plan (for example international calls)

The rules:

For the mobile phone exemption to apply, a few conditions need to be met.

1. One phone per employee or director

The exemption applies to one mobile phone or SIM per person. If additional phones are provided, they may create a taxable benefit. It's worth noting that family members cannot receive phones tax-free unless they are genuinely employed by the company.

2. The contract must be in the company's name

The phone and contract should be purchased by the company and in the company's name, and paid from the company bank account. If the monthly contract is in your personal name, the business couldn't pay for this. Whilst business contracts can sometimes cost slightly more, usually they are worth it given the company will be paying for it and will receive corporation tax relief.

3. It must be a mobile phone

Smartphones are covered by the exemption, but other devices are not. For example:

- laptops
- tablets
- other devices capable of making internet calls

These may still be allowable business expenses, but they don't fall under the mobile phone exemption.

FAQ's:

What if the phone and tariff are combined into one monthly contract?

That's completely fine. Many providers bundle the handset and usage together into one monthly payment. The same rules apply as long as the contract is in the company's name.

What if I buy the phone outright and use pay-as-you-go?

This is where things can become a bit more complicated. The cost of the handset may still be an allowable expense for the company, but pay-as-you-go usage should normally only be claimed for business use. If HMRC asked, you would need to show how the usage related to business activity. For this reason, most directors find it simpler to use a monthly contract in the company's name.

How do I record this in Mighty?

For the handset (if purchased separately), you would typically record this as High Value Equipment so it's reflected as a company asset. For the ongoing contract, this can be categorised under Phone and Internet.

What about reclaiming VAT?

VAT can be reclaimed if applicable. However, if the phone is used personally the VAT may need to be apportioned for the business/personal element so we advise that any personal use is incidental.

If you're unsure on anything within this article, feel free to contact your dedicated accountant or email support@mightyaccounting.com.

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