Form P87: new evidence requirements for employment expenses

Personal tax | Employment Tax



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LITRG explains HMRC's new evidence requirements for people making standalone claims for tax relief on employment expenses using form P87.

From 14 October 2024, people who want to claim tax relief on employment expenses using form P87 also have to provide supporting evidence. For many claims, the process has also reverted to 'paper and post' until HMRC are able to build the digital capability to accept evidence via the online claim form.

HMRC have published a briefing paper setting out the background and explaining more about the new evidence requirements (see tinyurl.com/mtw2tjdy). At LITRG, we have published a news article to highlight the changes to the P87 process and updated our website guidance (see tinyurl.com/mr326aph). The new requirements only apply to standalone P87 claims – there is no change for claims made via self

assessment.

The purpose of the new evidence requirements is to try to ensure that HMRC only pay tax refunds to taxpayers who are eligible for tax relief. HMRC say that they will check the evidence and confirm whether claimants are entitled to tax relief before processing claims. This is a change to HMRC's normal 'process now, check later' approach to tax relief claims, and illustrates HMRC's significant concern of abuse in this area.

HMRC's new approach

HMRC wished to introduce the evidence requirements as quickly as possible. As a result, most P87 claims made on or after 14 October 2024 can only be made by post using the paper form. HMRC have removed the options of making claims online or by telephone. Taxpayers have to submit form P87 by post, together with the appropriate supporting evidence. The exception is for claims relating to uniforms, work clothing and tools ('flat rate expenses'). No specific evidence is required for flat rate expenses. HMRC are making a digital service available for those claims from 31 October 2024. They are intending to fully reinstate the digital claim service for all other employment expenses by April 2025.

The evidence requirements

For all claims for tax relief on employment expenses, the taxpayer must tell HMRC the employment for which they incurred the expense, whether their employer reimbursed any of the cost, and if so, how much. They must provide evidence of any reimbursements.

With the exception of claims for tax relief on flat rate expenses, taxpayers must provide evidence that supports the amounts they are claiming for. In the case of subsistence expenses, this might be copies of receipts that include the date the expense was incurred, and the name of the hotel or restaurant. In the case of subscriptions, this could be a receipt that shows how much the taxpayer paid. For mileage allowance claims, HMRC require a copy of the mileage log, including details such as the postcodes of the start and end points of journeys and the reason for each journey. For working from home tax relief claims, the taxpayer should provide a copy of their employment contract or other document that states they must work from home.

Wider context

HMRC have decided to take this action because they have identified an increasing number of ineligible claims for tax relief on employment expenses, in part due to activity by tax refund companies. This creates a significant tax risk. The changes to the process and the evidence requirements are aimed at ensuring that HMRC can check the accuracy of claims and eligibility of claimants upfront.

The changes to the form P87 process follow other changes aimed at making it more difficult for individuals and/or tax refund companies to abuse the tax system and tax processes. For example, in December 2023 HMRC changed form R40, and introduced a requirement to provide evidence of a payment protection insurance claim.

Self assessment claims

As mentioned, the recent changes only apply to standalone claims for tax relief. People who claim tax relief on employment expenses through their self assessment tax return will not need to provide supporting evidence when they submit the tax return. However, HMRC may carry out checks on some claims made through self assessment, and ask affected claimants for supporting evidence.

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