

## EXPENSES FOR HOSPITALITY IN FACULTIES AND DIRECTORATES

### Introduction

- 1 These guidelines for Senior Managers have been developed in the light of:
  - \* increasing public concerns about accountability for public funds;
  - \* focus on all types of expenditure in Higher Education, particularly by the Inland Revenue;
  - \* a desire to operate equitably across the university
- 2 The guidelines can be interpreted flexibly to permit Senior Managers some discretion in meeting hospitality expenses, for example, to reflect the status of a guest (external examiner, managing director of a public company etc) and at the same time avoid potential, personal tax liabilities.
- 3 The guidelines apply to all expenses for hospitality and refreshments, irrespective of the source of funding (ie even if the expenses are met from a Faculty's income generating activities, such as profits from consultancy).

### What is Allowed?

- 4 The general rule to avoid a tax liability is that the expenditure is wholly, exclusively and necessary for the performance of the duties of employment.
- 5 Reasonable expenses for refreshments for University staff are permissible when necessary to conduct business (eg staff meetings and staff development events).
- 6 "Working lunches", whilst not excluded, are under attack by the Inland Revenue, and therefore it would be prudent to formally record the reasons for such expenditure since this is the only possible defence against PAYE auditors.
- 7 Reasonable hospitality for guests is permissible for the following:
  - \* Entertaining individuals from organisations/companies with whom we do or wish to do consultancy and research.
  - \* Entertaining individuals and agencies who assist with student recruitment, particularly overseas.
  - \* Entertaining visiting speakers.
  - \* Entertaining external examiners and external members of validation panels, advisory boards or staff from other academic institutions collaborating on academic or consultancy initiatives.
  - \* Entertaining representatives of organisations with which we have collaborative arrangements or with which we wish to have active liaison.

- 8 The “reasonable number” of University staff participating in each type of hospitality should be interpreted as normally up to the number of guests. A reasonable level of hospitality should be judged with local managerial discretion. (Guidelines can be provided, if requested, by the line manager).
- 9 Reasonable expenses for refreshments at social events are permissible.

### **What are the problem areas?**

- 10 Refreshments at events which are of a **purely social nature** are liable to tax. In general such costs must therefore normally be met by the individual member of staff. There is, however, one area where there is further scope for discretion, namely:

The Inland Revenue does allow such activity to be paid for (up to a maximum of £75/ annum for each member of staff) if it is offered to all staff within the University. Selective invitations to particular groups of staff in particular areas can cause problems in this context.

### **Procedures**

- 11 Expenses for hospitality for lunches and dinners should normally not exceed the amounts noted on the reverse of the University’s “Staff Expenses Claim Form (Travel and Subsistence). Any exceptions should be justified.
- 12 Particular care needs to be taken on any hospitality expenditure charged against research contracts etc, since some contracts severely restrict how money may be expended.
- 13 When claiming reimbursement of hospitality expenses, all relevant details of the expenditure must be provided (eg date, reason for expenditure, guests entertained, the number and names of University staff involved and receipts).
- 14 Prior to committing the University to expenditure on other types of hospitality, not otherwise covered by these guidelines, and which might involve significant expenditure, approval should be sought from a member of the Top Management Team or the Director of Finance. It is expected that such occurrences will be rare.

### **Receipt of gifts or hospitality**

Staff should exercise particular care in deciding whether to accept gifts or hospitality from external organisations or individuals who stand to benefit, either financially or otherwise, from their relationship with the University. Judgement should be exercised in each case based on the principle that the University should be able to resist any suggestion that the integrity of its staff has been compromised. In order to ensure their own protection, where staff wish to accept significant offers of hospitality or gifts, the Faculty Pro Vice-Chancellor/Director or other more senior line manager should be consulted first.