

## Typical Business expenses

Item	Company	Sole Trade/Partnership
<p><b>General Principle</b></p>	<p>A cost must be wholly and necessarily for the purpose of the trade to be an available deduction for the purpose of calculating the profits subject to corporation tax.</p> <p>Any costs incurred by the company on behalf of a director or employee that provide a personal benefit will be taxable on the individual. For example company cars, private healthcare, etc.</p>	<p>A cost must be wholly and exclusively for the purpose of the trade to be an allowable deduction in the calculation of profits subject to tax.</p> <p>Any costs incurred by the business on behalf of an employee that provide a personal benefit will be taxable on the individual. For example company cars, private healthcare, etc.</p>
<p><b>Motor</b></p>	<p><b>Cars owned privately and used for business</b></p> <p>Reimbursed expenditure for travel on company business is an allowable expense.</p> <p>HMRC approved business mileage rates are 45p per mile for the first 10,000 miles and 25p per mile thereafter.</p> <p>Business mileage should not include any ordinary commute costs to work.</p> <p>As an employer the mileage rate you pay your employees is at your discretion and will be an allowable deduction for tax. However for the employee:</p> <ol style="list-style-type: none"> <li>1 If you pay more than the HMRC approved rates - they will be taxed on any amount above the approved rate.</li> <li>2 If you pay below the HMRC approved rates - they can claim tax relief on the difference.</li> </ol> <p>If you or your employees work at multiple locations, please check with us before claiming mileage - this can be very complex.</p> <p><b>Company cars</b></p> <p>The purchase costs and associated running costs are all allowable deductions for corporation tax.</p> <p>Where a company car is used for both business and private travel the individual that benefits from the company car will be taxed on the benefit - generally the tax on company cars does not make them tax advantageous.</p> <p>If the company also pays for all fuel used in the company car, the individual will also be taxed on the fuel benefit if the car is also used for private travel. Again, this is not generally tax advantageous, but it very much depends on the number of personal miles the car is used for.</p>	<p><b>For the sole trader/partner</b></p> <p>HMRC prefers you to claim for the business proportion of the running costs of your car. Tax relief can be claimed for the business proportion of:</p> <ol style="list-style-type: none"> <li>1 Reduction in the value of the car.</li> <li>2 Road tax.</li> <li>3 Insurance.</li> <li>4 Servicing and repairs.</li> <li>5 Fuel.</li> </ol> <p>You must keep a mileage log to show the miles on the clock at the start of a given tax year or accounting period, the business miles travelled during the year and the miles on the clock at the end of the year. This will determine the proportion of costs that are business versus private.</p> <p>Alternatively, you can claim HMRC approved mileage rates in the same way as an employee who owns their own car - see opposite for cars owned privately and used for business.</p> <p><b>For employees</b></p> <p><b><i>Cars owned privately and used for business - see same heading opposite.</i></b></p> <p><b><i>Cars provided to employees - see Company cars heading opposite.</i></b></p>

<p><b>Motor continued...</b></p>	<p>If the individual pays for their own fuel they can claim for business mileage using HMRC approved rates, please ask us for details - these change regularly and are not the same as those quoted for cars owned privately.</p> <p>This can be a very complex area of business tax, please ask us for advice before deciding to provide a company car or a fuel benefit.</p> <p><b>Vans and other commercial vehicles</b></p> <p>All vans and commercial vehicles used for business journeys only are an allowable business expense.</p> <p>Where there is an element of private use please ask for guidance as this is a complex area of tax and could result in a taxable benefit being chargeable on the employee using the vehicle.</p> <p>Caution should also be exercised when buying a commercial vehicle as not all trucks are classed as commercial vehicles, some may be classed as cars for tax purposes - please ask for advice, if applicable.</p>	<p><b>Vans and other commercial vehicles</b></p> <p>All vans and commercial vehicles used for business journeys only are an allowable business expense.</p> <p>Where there is an element of private use please ask for guidance as this can be a complex area of tax and could result in a taxable benefit being chargeable on the employee using the vehicle. For the sole trader or partners this simply requires an adjustment for private use.</p> <p>Caution should also be exercised when buying a commercial vehicle for employee use as not all trucks are classed as commercial vehicles, some may be classed as cars for tax purposes - please ask for advice, if applicable.</p>
<p><b>Travel and accommodation</b></p>	<p>Travel costs providing they are wholly and necessarily for business purposes such as train and air travel can be claimed as a business expense.</p> <p>Any personal expenses should not be claimed through the company.</p>	<p>Travel costs providing they are wholly and exclusively for business purposes such as train and air travel can be claimed as a business expense.</p>
<p><b>Rent, rates and insurance</b></p>	<p>All your office costs can be claimed. Professional indemnity, employee liability and other general business insurances can all be claimed. For keyman cover and similar policies please ask as it depends on the individual policy.</p>	<p>All your office costs can be claimed. Professional indemnity, employee liability and other general business insurances can all be claimed. For keyman cover and similar policies please ask as it depends on the individual policy.</p>
<p><b>Professional Subscriptions</b></p>	<p>Professional subscriptions are allowable providing they appear on what is known as 'HMRC List 3'. The link to this is noted below:</p> <p><a href="https://www.gov.uk/government/publications/professional-bodies-approved-for-tax-relief-list-3">https://www.gov.uk/government/publications/professional-bodies-approved-for-tax-relief-list-3</a></p>	<p>Professional subscriptions paid on behalf of employees are allowable providing they appear on what is known as 'HMRC List 3'. The link to this is noted below:</p> <p><a href="https://www.gov.uk/government/publications/professional-bodies-approved-for-tax-relief-list-3">https://www.gov.uk/government/publications/professional-bodies-approved-for-tax-relief-list-3</a></p> <p>For subscriptions paid on behalf of the sole trader or partner the rules are more complex but generally allow for subscriptions not on HMRC List 3 to be claimed providing they are wholly and exclusively for the purpose of the trades.</p> <p>Please contact us with details of the specific subscriptions and we will be able to advise you if they are likely to be allowable.</p>
<p><b>Training</b></p>	<p>Training costs to maintain your and your employees' expertise is an allowable business expense.</p>	<p>Training costs to maintain your and your employees' expertise is an allowable business expense.</p>
<p><b>Client entertainment</b></p>	<p>Costs of entertaining suppliers and customers can be included as a business expense however they will not get tax relief.</p>	<p>Costs of entertaining suppliers and customers can be included as a business expense however they will not get tax relief.</p>
<p><b>Subsistence</b></p>	<p>Costs of providing items such as tea and coffee in the office are allowable as a business expense, providing they are available to all staff.</p> <p>Costs for drinks and meals while travelling away from the office for business purposes can also be claimed as a business expense.</p>	<p>Costs of providing items such as tea and coffee in the office are allowable as a business expense, providing they are available to all staff.</p> <p>Costs for drinks and meals while travelling away from the office for business purposes can also be claimed as a business expense.</p>

<p><b>Working from home</b></p>	<p>As an employee of the company, you can claim £4 per week HMRC allowance for working from home. This is tax-free for the employee and an allowable cost for the company.</p> <p>Alternatively you can claim a proportion of your home costs (light and heat, water, rates, insurance and mortgage interest). This proportion would need to be based on the area of the house you are using (usually based on number of rooms) and the amount of time this space is used for business purposes.</p> <p>If you claim a proportion of the home costs you would need to record this on your personal tax return together with the costs - this would not change your tax liability as the income and costs reported would be the same.</p>	<p>You can claim a proportion of your home costs (light and heat, water, rates, insurance and mortgage interest). This proportion would need to be based on the area of the house you are using (usually based on number of rooms) and the amount of time this space is used for business purposes.</p> <p>Alternatively, HMRC allow a flat rate deduction for home running costs based on the number of hours spent using your home for business activities. A separate deduction can still be made for fixed costs such as rates and mortgage interest. Please contact us for details of the flat rate deductions available.</p>
<p><b>Office equipment and tools of your trade</b></p>	<p>Any items purchased for use in the business such as computers, tools, desks and chairs are allowable costs.</p> <p><i>For cars and vans please see Motor above.</i></p>	<p>Any items purchased for use in the business such as computers, tools, desks and chairs are allowable costs.</p> <p><i>For cars and vans please see Motor above.</i></p>
<p><b>Telephone and broadband</b></p>	<p>Any office phone lines can be claimed. Where you use a home phone for both business and private use you can claim for business element. Mobile phones can be very tricky, the best thing to do is have any mobile phones used for business purposes in the name of the company. Providing each employee only has one company mobile phone, the full cost is allowable as a business expense with no tax implications for the individual.</p>	<p>Any office phone lines can be claimed. Where you use a home phone for both business and private use you can claim for the business element.</p> <p>Employee mobile phones can be very tricky, the best thing to do is have any mobile phones used for business purposes in the name of the business. Providing each employee only has one mobile phone paid for by the business, the full cost is allowable as a business expense with no tax implications for the individual.</p> <p>The sole trader or partner can claim for the business proportion of a private mobile phone.</p>
<p><b>Printing, postage, stationery and IT</b></p>	<p>All printing, postage, stationary and IT costs are allowable. IT costs includes any annual maintenance contracts, repairs and software costs.</p>	<p>All printing, postage, stationary and IT costs are allowable. IT costs includes any annual maintenance contracts, repairs and software costs.</p>
<p><b>Salaries and pensions</b></p>	<p>All staff salary and associated costs such as National Insurance are allowable.</p> <p>Also, company pension contributions are an allowable deduction, providing they are physically paid.</p> <p>Any remuneration package, including salary, pension and other benefits must be commensurate with the individual's role and responsibilities.</p> <p>If you are making private pension contributions please talk to us as it will probably be more tax efficient to switch them to company contributions.</p>	<p>All staff salary and associated costs such as National Insurance are allowable.</p> <p>Pension contributions for employees are an allowable deduction, providing they are physically paid.</p> <p>Any remuneration package, including salary, pension and other benefits must be commensurate with the individual's role and responsibilities.</p> <p>Pension contributions for the sole trader or partner are not a business expense and instead are paid to the pension company net of basic rate tax and higher or additional rate tax is recovered through their tax return.</p>

**Other business expenses**

The following may also be allowable, please check with us when you have a specific cost:

- Bad debts
- Interest
- Legal fees
- Repairs
- Donations
- Clothing, providing it is work wear and has the business logo on it.
- Advertising - costs associated with this can be classified by HMRC as client entertaining and therefore not tax deductible.
- Marketing - costs associated with this can be classified by HMRC as client entertaining and therefore not tax deductible.
- Website costs

The following may also be allowable, please check with us when you have a specific cost:

- Bad debts
- Interest
- Legal fees
- Repairs
- Donations
- Clothing, providing it is work wear and has the business logo on it.
- Advertising - costs associated with this can be classified by HMRC as client entertaining and therefore not tax deductible.
- Marketing - costs associated with this can be classified by HMRC as client entertaining and therefore not tax deductible.
- Website costs

