

Saint Financial Group

ULTIMATE A-Z BUSINESS EXPENSE GUIDE

A SIMPLE GUIDE



TAKE CONTROL OF THE EXPENSES
OCCURRING WITHIN YOUR BUSINESS

Ultimate A-Z Business Expense Guide

When you start a business you are never told what you should or shouldn't be doing financially and as a limited company director, you're entitled to know what expenses you can claim back and how to include these in your accounts.

When you claim back expenses, any business expenditure which you have paid for personally can be reimbursed by your business. This expenditure will receive tax relief resulting in less tax being paid!

This guide will help you save money and pay less tax giving you the information on what you could be claiming as a business expenses and how to claim it. For it to be classed as a business expense it must be incurred wholly and exclusively for the purpose of the business.

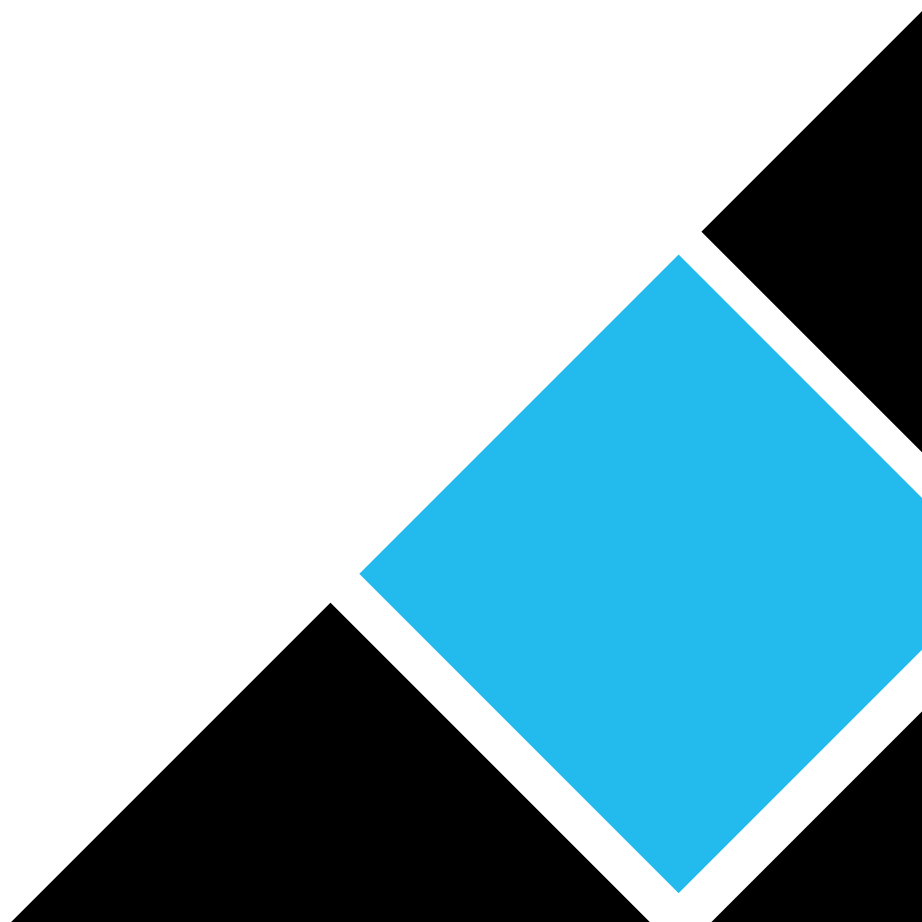
The rules are stricter for employee expenses; they must be incurred wholly; exclusively and necessarily, for the performance of duties. The list of expenses are long and the rules are not always straightforward.

What is Tax Relief?

Tax Relief is a way of reducing the amount of tax you have to pay on any profits made. A company's main extraction of funds is often through dividends and before you are entitled to take a dividend, you must pay Corporation Tax on any profits.

Your allowable expenses reduce the amount of profit which reduce the amount liable to Corporation Tax. The higher your business expenses are, the lower your company profits and tax will be.

Let's get started....



Accountancy

Allowable

- Fees from the first advice given before you start
- Business bookkeeping, accounting and tax advice
- Consultancy
- Companies House Fees
- Formation Fees*

Disallowable

- Personal Tax Return
can be paid by the company but treated as a Benefit In Kind (BIK) (will be taxable to you personally and recorded as a BIK) your company will pay NIC at 13.8% on this
- Company Formation Fees
Day 1 expenses claimed by the Director. Your new company can pay the formation fees but they are disallowed in the Corporation Tax Return

Accommodation

Allowable

- Hotel & rental costs whilst staying away from home, for the performance of duties
- Accommodation associated with a temporary workplace may be claimed, provided the length of contract will not exceed 24 months

Disallowable

- HMRC are likely to question excessive claims for expensive hotels or apartments with more than one bedroom.

Advertising

Allowable

- All business advertising spends are generally allowed
- Paid advertising, trade magazines, Google Ads, social media costs, outsourced consultancy
- Promotional Items

Disallowable

- If it is a capital investment

Air Fares

Airfares are allowable if essential for the business duties. Note: If you recharge the expense to your client, even though airfares do not incur VAT, you must charge VAT if you are VAT registered

Assets

Allowable

- All business assets are generally allowed
- Business premises, fixtures and fittings
- Computer equipment, phones, printers etc (>£100)
- Company cars, vans, charging points, cranes, diggers etc all kind of business machines
- Garden office, if you can 'take it with you'*

For Sole Traders - claim restricted to % of asset that has a business use.

Disallowable

- Capital additions or alterations to your home
hard to argue these are wholly and exclusively business-related and not home improvements
- Risk CGT on sale if you get room/property rated as commercial
- Solar panels to charge company car
- Treatment of Garden Offices may differ by local authority

Bank Charges

Charges for an unauthorised overdraft are not allowable. This includes reimbursing charges to an employee (there may be a Benefit in Kind to the employee).

Books and magazines

If the book or magazine is for business then the expense is allowable. If it is purchased for personal reasons then it is not allowable and would be classed as a benefit in kind.

Broadband

If the contract is between the supplier and the company then it is allowable. If the contract is supplied to you personally and not in your company's name, there will be a benefit in kind charge on the full amount of the expense claimed.

Business Gifts

If the gift has company advertisement then it is an allowable expense. Where it is a general gift is made with no company advertisement, then it is treated in the same way as entertainment. Gifts of alcohol, tobacco and food are not tax-deductible. The output VAT is not chargeable on business gifts provided the gift does not exceed £50 per person in any 12 month period. Input VAT may be claimed.

Business Start-Up

The cost of incorporating a company and setting up the necessary registrations are allowable. The actual formation fee is a capital cost and cannot be claimed.

Business Plans

The cost of preparation and advice around business plans is an allowable deduction.

Call Handling

The cost of using another company to handle your calls is an allowable business cost.

Car - Personal

Allowable

- Mileage Expense (fuel plus wear and tear element)
- Can recover VAT on the business fuel element
- Additional insurance cost for business use

Disallowable

- Repairs, maintenance, MOT, tyres etc
- Car insurance and road tax
- Travel between home and work

For Sole Traders - can claim mileage or % of fuel costs (one method is chosen for the life of the car) and the claim is restricted to % of the car deemed to be for business use.

Car Hire

Allowable

- Short term car hire costs
- Insurance
- All fuel costs
- Any repairs or excess in the event of a claim

Disallowable

- Mileage claim

For Sole Traders - Claim restricted % of the car and car costs that are deemed for business use only.

Company Car

Allowable

- 100% car purchase or lease costs*
- Fuel - BIK on the personal element
- Business car insurance
- All MOT, tyres, repairs and maintenance
- Parking

Disallowable

- 50% personal benefit VAT restriction on a car lease
- VAT on car purchase - unless taxi/car hire
- Travel between home and work
- Fines
- Non-business driving or travel costs

Charitable Donations

Allowable

- Donations can be paid by the company provided they are to a registered charity and do not put the business into a loss-making position
- Donations include; money, equipment or trading stock, land, property or shares in another company or sponsorship payments

Disallowable

- Donation of shares in your own company do not qualify

For Sole Traders - Not allowed as a business expense. If you pay personally, declare gift aid and claim tax relief on donation in your personal tax return

Christmas Gifts

A gift of up to £50 per year may be made, provided it is not food, alcohol or tobacco. A gift over £50 then the whole amount becomes taxable on the employee. There needs to be a minimum of two employees for this relief to apply.

Cleaning

General business cleaning costs are allowed including home office with receipts. This includes outsourced cleaners or staff on payroll. The cost of cleaning your house is not allowed.

Computer equipment

Tax relief on computer equipment may be claimed via capital allowances.

Consultants

Business consultancy is allowable. Consultants mileage and expenses are also allowable. It only becomes disallowable when the benefit is too personal - there is a fine line between self-development and business self-development.

Cost of Sale

All direct costs related to the production and delivery of your product or service (including all direct labour expenses.)

For Sole Traders - There might be direct labour costs if you employ staff, but there would be no sole trader wage costs. Drawings are excluded from P&L.

Director's wage

Wages are an allowable expense and the director should be taking at least a minimum salary. The wage amount will be an expense and reduce the overall profit in the year. The National Minimum Wage Regulations will not apply unless there is a binding contract of employment .

Entertaining Clients

Allowable

- Entertaining clients, contractors and suppliers*
- Payments can be made by the business

Disallowable

- Added back to taxable profits in Corporation Tax Calculation
- For VAT

For Sole Traders - Added back to taxable profits in Income Tax Calculation

Entertaining Staff - Annual Parties

Allowable

- Primary purpose must be staff (on payroll) entertainment
- Where cost does not exceed £150 per head, per year
- £150 inc VAT - part, travel and accommodation
- £150 is a limit, not an allowance so if you spend >£151, then the whole amount becomes taxable
- Primary purpose must be staff entertainment

Disallowable

- VAT cannot be recovered if directors only event
- If the primary purpose is client entertainment
- VAT disallowed on % relating to client entertainment

For Sole Traders - Allowed when Sole Trader employs staff.

Entertaining Staff - Birthday Lunches

Allowable

- Falls outside the £150 Event allowance
- Classified as a trivial gift if it's not regular or expected
- Generally accepted as staff welfare cost <£50 per head

Disallowable

- VAT cannot be recovered if directors only meal

Entertaining Staff - Working Lunches

Allowable

- Falls outside the £150 Event allowance
- Lunch provided onside for convenience of employer allowed
- Working lunch offside considered to be a reward for working so creates a benefit in kind
- The employer can pay Tax and NI under PAYE settlement agreement rather than report on a P11D

Disallowable

- VAT cannot be recovered if directors only meal

Entertaining Staff - Celebration Lunch

Allowable

- Staff are getting lunch as a reward for a job well done
- Falls outside the £150 Event Allowance
- Performance-related so creates a benefit in kind
- The employer can pay Tax and NI under PAYE settlement agreement rather than report on a P11D

Disallowable

- VAT cannot be recovered if directors only meal

Events

Allowable

- All costs of putting on training events for staff or clients
- All costs of staff attending events or seminars
- Travel, hotel and subsistence costs

Disallowable

- Friends and family who might travel with you - potential benefit

Eye Tests and Glasses

You can claim for the eye test provided it is necessary for the continued use of visual display equipment in your duties. You can claim the cost of the lenses if required for business however the frames are not allowed even when the lenses are allowed.

Foreign Exchange

Any exchange rates, (approved by HMRC), associated with exchanging business money are an allowable expense. If there is a profit incurred this needs to be declared as an income and tax will be charged.

Finance Fees

Bank and overdraft charges | loan, lease and hire purchase interest | Credit card, Paypal and Stripe fees are all allowable expenses. A sole trader is limited to £500 of interest and bank charges if you are using the cash accounting basis.

Fines

Business can pay fines but is disallowed in the Corporation Tax Calculation as they are not accepted as necessary for trade purposes.

General Office Purchases

Minor purchases with receipts that are exclusively for business are claimable. This includes postage, business magazines & books, computer consumables, cleaning, kitchen items (tea, coffee, milk etc) and office stationery.

Hire and Rental

If the hire or rental is purely for business purposes then it is allowable.

Hire Purchase

The costs including interest are allowable.

Home Work Expenses

A round sum of £6 per week can be claimed as an expense from 6 April 2020 (£4 per week before 6 April 2020). This is to cover the additional costs of working from home and does not require supporting paperwork.

If the director works from home on a more permanent basis then the amount of additional costs incurred may be claimed.

Incidental Overnight Expenses

If an employee is working away from home, a fixed sum of £5 per night (£10 if working overseas) may be claimed to cover incidental costs such as telephone calls, newspapers or laundry.

Insurance

Insurance taken out for business purposes will be allowable such as Employer's Liability, Professional Indemnity, Public Liability, Tax Investigation, Key Man (business is the beneficiary), Vehicle Insurance, Office Contents etc. Insurances like Income protection are not allowable as the director is the beneficiary. (Sole Traders are unlikely to get Key Man Insurance)

Interest on Loans

Interest charges on business loans or other finance payments are allowable. Interest on late payments of tax is allowable. Personal interest paid is not allowable.

IT Costs - Software and Hardware

Allowable

- Business software costs
- IT costs, network and server costs, disaster recovery
- [Web development and hosting](#)
- IT consumables and expenses assets (<£100)

Disallowable

- Personal expenses such as Spotify etc

Key Man Life Insurance

Is a policy for the business in the event of a sudden loss of the key executive in the business. It will cover the cost of employing another key person or to implement strategies to save the business. The cost is allowable against business tax.

Leasing Rental

There are two types of leasing available which are accounted for in different ways:

Finance Lease

The item on lease is allocated into the balance sheet as an asset with depreciation charges against it. The payments and interest are allowable again business tax.

Operating Lease

An operating lease is usually for a shorter term than the life of the asset and is allocated to the balance sheet. The payments are treated as rental and are allowable against business tax.

Legal Costs

Are allowable provided they are for business purposes and are not for illegal activities like fraud, fines, illegal actions or related to capital items.

Marketing Costs

The cost of having marketing content product or managed is an allowable expense. [Marketing](#) products such as promotional materials or events also allowable.

Medical Annual Check-Up

Annual medical checkup provided to employees are allowable against business tax and do not incur a benefit in kind charge.

Medical Insurance

Medical insurance paid by the company is an allowable cost. For the employee receiving the insurance, a benefit of kind will apply and the employee must pay personal tax on it. Where the employee is working abroad, the cost of the insurance to cover treatment is allowable and no benefit in kind charge is applied.

Medical Treatment

Is allowable and a benefit in kind charge will not apply if the employee incurred the treatment due to an injury or disease related to work, and is paid directly to the supplier by the employer. If the employee is working abroad the treatment paid by the employer is allowable and no benefit in kind charge applies.

Mobile Phones

One phone can be given to every employee in the business if the contract is in the company name (plus you get to recover the VAT). This includes you and family members that are employed and there is no tax or NIC regardless of whether the phone is used for personal calls, messaging etc.

National Insurance Contributions

Employee NICs are paid by the employee from gross salary. Employer's NIC is paid by the employer on top of the gross salary and is tax-deductible. There is an Employers allowance which can be claimed after you take on your first employee.

Office Rental

Office and virtual office rental are allowable.

Parking

Parking is allowable and employees can be reimbursed for parking near work premises without incurring a benefit in kind charge.

Patent Costs

Costs incurred with a patent, whether granted or not are generally allowable.

Postage, Packaging and Courier Costs

All post, packaging and courier costs are allowable. Royal Mail is exempt from VAT but companies using a private company may be charged VAT that may be reclaimed. Business Amazon Prime subscription costs are allowable, Personal would be hard to justify a business vs personal split. Personal postage would not be allowable.

Pension Contributions

Once your company has set up a contract with a pension provider it can make payments into your pension and receive 100% tax relief as an allowable business expense for both employees and directors.

Premises Costs

Costs incurred on business premises such as mortgage interest, rent, rates, building insurance, heating, lighting, power, water, repairs and rental are all allowable.

Professional Fees

Claims to certain HMRC approved professional bodies relevant to your business are allowed. If it is not directly relevant, then it's not allowed.

Printing

Is an allowable expense

Repairs

The cost of repairs or maintenance is an allowable expense. If the asset requires repairing to make the asset good, then this is part of the cost of the asset is not an allowable deduction, but a capital allowance may be claimed which may produce the same result.

Salaries

All payroll expenses, tax, NI, pensions, healthcare insurance and recruitment costs are allowable.

Sole Traders - can't put personal pension through business.

Software

Software with a life expectancy below 2 years is an allowable expense. Where the expectancy is above 2 years, it is capital expenditure and should be reflected on the balance sheet as an asset and depreciation charged and capital allowances claimed.

Scholarships

Scholarships offered to employees are exempt from income tax and national insurance if the conditions are met, example, the grant must not exceed £15,480 per annum excluding course fees, the course must be full time. The cost may not be allowed as a business expense and the should not be a member of the director/ shareholder family.

Sponsorships

Allowable

- If there is sufficient business justification and this is common in the industry
- Sponsorship must promote the business
- The purpose must be wholly and exclusively business-related
- The benefit must be wholly and exclusively business-related.

Disallowable

- If you cannot justify how the sponsorship benefits the business
- Sponsorship of family and friends generally not allowed (disguised earnings)
- If the event is director, partner or proprietors hobby - HMRC would class this as earnings, you are funding your hobby
- Easily falls within the duality of purpose rules.

Subsistence

Allowable

- Subsistence allowed when a business sends you away from the office such as a temporary assignment.
- Food, drink etc
- All reasonable actual costs are allowed

Disallowable

- Subsistence payments cease when it is known that the length of the contract will exceed 24 months.
- Or if you choose to pop round to your local coffee shop (this could be a trivial gift)
- Not allowed if this is your lunch at the office

Tax Reviews

The cost of tax reviews for your business are deductible business costs.

Taxi Fares

For business travel are allowable.

Training

Training costs to update or improve on an existing skill is allowable. Training costs for a new skill not related to what the business currently trades are not, as they cannot be shown as being incurred in the performance of their duties. They are a capital cost.

Travel

For business purposes is an allowable cost. Travel between home and a permanent workplace is not allowable.

Trivial Benefits (Gifts)

If you give a gift to your employee, you will not need to pay tax if all of the following apply:

- It cost you £50 or less
- It isn't cash or a cash voucher
- It isn't a reward for their work or performance
- It isn't in the terms of their contract

Where all the criteria above met you don't need to pay tax or National Insurance or let HMRC know about the expense. If the cost of the benefit is over £50, the whole amount becomes taxable, not just the excess over £50.

Directors can claim up to £300 on themselves per year on trivial benefits.

Virtual Assistant

The cost of using a [virtual assistant](#) for business purposes is an allowable expense.

Website Development

The cost of developing a website should be treated as an intangible asset and capitalised on the balance sheet with amortisation charged. If the website performs a function for the business such as to be a sales platform, then the website should be capitalised.

Tax Efficient Benefits and Expenses

- Approved mileage allowance payments and passenger payments
- Removal expenses up to a maximum of £8,000
- Employer-provided cycles and cyclists safety equipment
- Work transport services
- Travel expenses to and from a temporary workplace for up to 24 months
- Mobile phones - one per employee can be provided tax-free
- Use of your home as an office
- Travel expenses from home
- Christmas parties and other annual functions (maximum £150 per head)
- Company loan not exceeding £10,000 in the year
- Incidental overnight expenses (£5 per night in the UK, £10 per - night abroad)
- Subsidised public bus services
- Eye tests, corrective appliances, medical check-ups and health screening
- Low or zero-emission cars
- Food and drink at a place where he travels to work provided the work is not regular
- Suggestion scheme awards
- Trivial gifts
- Work-related training
- Employer-provided childcare
- Employer contracted childcare (maximum £55 per week)
- Contributions to a registered pension scheme
- Long service awards

Conclusion

I hope we have provided you with useful amount of information regard what expenses you can claim within your business! If you require any more information or would like to know more about our our services please get with us! We are always up for a chat!

[Get in touch here!](#)

